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Note by the President of the Security Council

In paragraph 26 (d) of resolution 1874 (2009), the Security Council requested the Panel of Experts established pursuant to that resolution to provide a final report to the Council with its findings and recommendations.

Accordingly, the President hereby circulates the report dated 12 May 2010 received from the Panel of Experts (see annex).

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Annex

Letter dated 12 May 2010 from the Panel of Experts established pursuant to resolution 1874 (2009) addressed to the President of the Security Council

[Original: English and French]

On behalf of the Panel of Experts established pursuant to resolution 1874 (2009), I have the honour to transmit herewith, in accordance with paragraph 26 (d) of the resolution, the final report of the Panel of Experts.

I would appreciate it if the present letter and its annex were brought to the attention of the members of the Council.

(*Signed*) David J. **Birch**
Expert and Coordinator
Panel of Experts established pursuant to resolution 1874 (2009)

(*Signed*) Masahiko **Asada**
Expert

(*Signed*) Victor **Comras**
Expert

(*Signed*) Erik **Marzolf**
Expert

(*Signed*) Young Wan **Song**
Expert

(*Signed*) Alexander **Vilnin**
Expert

(*Signed*) Xiaodong **Xue**
Expert

Report of the Panel of Experts established pursuant to resolution 1874 (2009)*

[Original: English]

Summary

On 12 June 2009, the Security Council unanimously adopted resolution 1874 (2009), in which it requested the Secretary-General to establish a Panel of Experts mandated to gather, examine and analyse information regarding the implementation of the measures imposed by the Council in its resolutions 1718 (2006) and 1874 (2009), in particular incidents of non-compliance; make recommendations on actions that the Council, the Committee or Member States may consider to improve implementation of those measures; and assist the Security Council Committee established pursuant to resolution 1718 (2006) in carrying out its functions.

The measures imposed by resolution 1718 (2006) and strengthened by resolution 1874 (2009) include (a) a ban on the provision to and the procurement from the Democratic People's Republic of Korea of nuclear-related, other weapons of mass destruction-related and ballistic missile-related items as well as all arms and related materiel, except for small arms and light weapons and their related materiel provided to the Democratic People's Republic of Korea; (b) a ban on the transfer to or from the Democratic People's Republic of Korea of services and assistance related to the provision, manufacture, maintenance or use of the proscribed items; and (c) a ban on the provision of luxury goods to the Democratic People's Republic of Korea.

Resolution 1874 (2009) also introduced a strong interdiction system, which calls upon all Member States to inspect all cargo to and from the Democratic People's Republic of Korea in their territory and to inspect vessels, with the consent of the flag State, on the high seas, if the Member State concerned has information that provides reasonable grounds to believe that the cargo contains proscribed items. A Member State discovering such items is required to seize and dispose of them. The inspecting Member State is also required to submit a detailed report on such cases to the Committee.

No official allegations have been presented to the Committee since the adoption of resolution 1718 (2006) concerning the provision of proscribed nuclear-related or ballistic missile-related items, technology or know-how to or from the Democratic People's Republic of Korea. Nevertheless, the Panel of Experts has reviewed several government assessments, reports of the International Atomic Energy Agency, research papers and media reports indicating continuing involvement of the Democratic People's Republic of Korea in nuclear and ballistic missile-related activities in certain countries, including the Islamic Republic of Iran, the Syrian Arab Republic and Myanmar. The Panel of Experts believes that special attention should be given by all Member States to inhibit such activities. Further study of these suspected activities by the Democratic People's Republic of Korea should be conducted for a more thorough understanding of the facts.

* The views expressed in the present report are exclusively those of the Panel of Experts and do not represent those of any others unless otherwise indicated.

The Committee has been notified, since the adoption of resolution 1874 (2009), of four non-compliance cases involving arms exports. An analysis of these cases indicates that the Democratic People's Republic of Korea continues to engage in exporting such proscribed items. In these cases, it has used a number of masking techniques in order to circumvent the Security Council measures, including false description and mislabelling of the content of the containers, falsification of the manifest covering the shipment, alteration and falsification of the information concerning the original consignor and ultimate consignee, and use of multiple layers of intermediaries, shell companies, and financial institutions. The Panel of Experts recommends, in this regard, that extra vigilance be exercised in accordance with local norms at the first overseas maritime port handling such shipments or trans-shipments of the Democratic People's Republic of Korea with regard to containers carrying cargo originating from the Democratic People's Republic of Korea. The Panel also recommends that consideration be given to introducing procedures that, without overburdening international maritime commerce, would assure that onward trans-shipment ports are aware of the cargo's origin from the Democratic People's Republic of Korea so that they could also apply extra vigilance.

The Panel of Experts also notes that air cargo poses certain other issues and vulnerabilities. Difficulties involved in the inspection of cargo in an aircraft in transit and the inability to subject direct flights to inspection leaves in place important vulnerabilities with respect to the implementation of the resolutions. The Panel recommends that consideration be given by Member States over whose territory such aircraft may fly, stop or transit that efforts be undertaken in those cases to closely monitor air traffic to and from Sunan International Airport and other national airports, and that cargoes to and from the country be declared before overflight clearance is provided.

The Committee has also received two reports of seizure of luxury goods. There was a clear understanding in both of these cases that the goods involved were proscribed luxury items. However, such understanding is not always present. Most national implementation reports omit any mention of luxury goods. National definitions of luxury goods vary and associated national export controls are implemented in an uneven manner, which risks undercutting the effectiveness of this measure with regard to the Democratic People's Republic of Korea. To close these potential gaps, the Panel of Experts proposes in this report basic principles and important factors that should be considered in designating luxury goods.

The Democratic People's Republic of Korea also employs a broad range of techniques to mask its financial transactions, including the use of overseas entities, shell companies, informal transfer mechanisms, cash couriers and barter arrangements. However, it must still, in most cases, rely on access to the international financial system to complete its financial operations. In structuring these transactions, attempts are made to mix illicit transactions with otherwise legitimate business activities in such a way as to hide the illicit activity. Therefore, the Panel of Experts underscores the importance of exercising extra vigilance to assure that financial transactions and services do not contribute to the Democratic People's Republic of Korea's proscribed activities. Special attention is drawn, in this regard, to non-proliferation and anti-money-laundering and combating the financing of terrorism principles and guidelines published by the Financial Action Task Force (FATF) and to the FATF *Typologies Report on Proliferation Financing*.

The Committee has designated eight entities and five individuals for financial (and travel in the case of individuals) sanctions. These few designations seriously understate the number of known entities and individuals engaged in proscribed activities, and are inadequate to the task of effectively inhibiting key parties of the Democratic People's Republic of Korea from engaging in proscribed activities. No account has yet been made also to deal with those substituting for or acting for or on behalf of these entities and individuals. Thus, all Member States should be invited to provide to the Committee for its consideration the names of entities and individuals who are believed to be engaged in proscribed activities, and especially those that have been implicated in non-compliance cases reported to the Committee. Consideration should also be given to making sure that those entities and individuals that are already designated are not able to avoid the Security Council measures through the use of aliases.

Special attention is drawn also to the fact that a substantial number of Member States have not yet filed the national implementation reports called for in the resolutions. These reports are essential to an overall evaluation of the steps being taken to implement the Security Council measures and to ensure they are implemented effectively.

I. Introduction

1. In response to the continuing non-compliance of the Democratic People's Republic of Korea with its inter ational obligations and following the nuclear test conducted by the Democratic People's Republic of Korea on 25 May 2009, the Security Council adopted resolution 1874 (2009) on 12 June 2009. With that resolution the Council strengthened measures previously adopted in resolution 1718 (2006) and stressed that the Democratic People's Republic of Korea must abandon all its nuclear-related, other existing weapons of mass destruction-related and ballistic missile-related programmes and return to full compliance with its international obligations.

2. The adoption by the Security Council of the measures contained in resolution 1874 (2009) followed upon numerous diplomatic bilateral and multilateral attempts to convince the Government of the Democratic People's Republic of Korea to comply fully with its international obligations, including returning at an early date to and complying with the Treaty on the Non-Proliferation of Nuclear Weapons, to which the country acceded in 1985.

3. Faced with the Democratic People's Republic of Korea's announced withdrawal from the Treaty on the Non-Proliferation of Nuclear Weapons and its renunciation of its obligations under the Safeguards Agreement between the International Atomic Energy Agency (IAEA) and the Democratic People's Republic of Korea (INFCIRC/403), the Security Council, on 11 May 1993, adopted resolution 825 (1993), formally calling upon the Democratic People's Republic of Korea to honour its non-proliferation obligations and to comply with its IAEA Safeguards Agreement. In addition, concerned countries undertook numerous and repeated demarches to persuade the Government to return to full compliance with its treaty obligations, and it agreed to "suspend" its announced withdrawal from the Treaty on the Non-Proliferation of Nuclear Weapons. After a short period of cooperation, the Democratic People's Republic of Korea again increased tension in the region on 31 August 1998, by launching an object propelled by a missile over the territory of Japan, which fell into the sea in the vicinity of Japan.[1] That missile launch was conducted without prior notification to the countries in the region, or to the international organizations concerned. Responding to the incident, the Security Council issued a press statement on 15 September 1998, expressing its concern and urging the Democratic People's Republic of Korea to refrain from any such further actions.

4. The Democratic People's Republic of Korea expelled all remaining IAEA inspectors on 27 December 2002, and informed the Security Council on 10 January 2003 that it had decided "to revoke the 'suspension' on the effectuation of the withdrawal from the NPT".

5. In an effort to defuse growing tension stemming from these actions by the Democratic People's Republic of Korea, and to return the Democratic People's Republic of Korea to obligations related to the Treaty on the Non-Proliferation of Nuclear Weapons and IAEA and other international obligations, China, Japan, the Republic of Korea, the Russian Federation and the United States, on 27 August 2003,

[1] This ballistic missile, which is commonly referred to as Taepodong-1, was used to propel an object which was announced by the Democratic People's Republic of Korea on 4 September 1998 as its first artificial satellite, Kwangmyongsong-1.

entered into joint talks with the Democratic People's Republic of Korea ("six-party talks"). The six-party talks continued over the next two years without producing the desired results. On 19 September 2005 in the Joint Statement of the Fourth Round of the Six-Party Talks, the six-party talks participants unanimously reaffirmed that "the goal of the six-party talks is the verifiable denuclearization for the Korean Peninsula in a peaceful manner" and the Democratic People's Republic of Korea "committed to abandoning all nuclear weapons and existing nuclear programmes and returning, at an early date, to the Treaty on the Non-Proliferation of Nuclear Weapons and to IAEA safeguards". In November 2005, however, the Democratic People's Republic of Korea ceased its participation in this six-party process. On 5 July 2006, in defiance of previous undertakings and Security Council pronouncements, it launched seven ballistic missiles, including a long-range ballistic missile.[2] Condemning these actions, the Security Council, on 15 July 2006, adopted resolution 1695 (2006), demanding that the Democratic People's Republic of Korea "suspend all activities related to its ballistic missile programme, and in this context re-establish its pre-existing commitments to a moratorium on missile launching".[3] The resolution also "requires" all Member States to prevent the provision to, or acquisition from, the Democratic People's Republic of Korea of "missile and missile-related items, materials, goods and technology". The Council also urged the Democratic People's Republic of Korea to abandon all nuclear weapons and existing nuclear programmes, and to return immediately to the six-party talks without precondition.

6. Despite these efforts to bring the country back to the six-party talks, on 3 October 2006, the Democratic People's Republic of Korea announced its intention to conduct a nuclear test, and, in disregard of the Security Council presidential statement of 6 October 2006 (S/PRST/2006/41) urging the Democratic People's Republic of Korea not to proceed, the Democratic People's Republic of Korea announced that it had conducted a nuclear test on 9 October 2006. And, on 14 October 2006, the Security Council adopted resolution 1718 (2006), deciding under Chapter VII of the Charter of the United Nations that the Democratic People's Republic of Korea would, inter alia, abandon all nuclear weapons, existing nuclear programmes, all other existing weapons of mass destruction and ballistic missile programmes in a complete, verifiable and irreversible manner. The resolution also imposed a series of sanction measures against the Democratic People's Republic of Korea to compel compliance and established a committee to monitor their implementation. The resolution also called upon the Democratic People's Republic of Korea to return immediately to the six-party talks.

7. With regard to the non-nuclear categories of weapons of mass destruction, i.e. chemical and biological weapons, the Democratic People's Republic of Korea acceded to the Convention on the Prohibition of the Development, Production and

[2] This ballistic missile is commonly referred to as Taepodong-2.

[3] Unlike nuclear weapons, there is no universally applicable legally binding document that regulates the development, production, stockpiling, or testing of ballistic missiles. In October 2000, when the First Vice-Chairman of the Democratic People's Republic of Korea National Defence Commission, Jo Myong Rok, visited the United States, the Democratic People's Republic of Korea undertook with the United States in a joint communiqué of 12 October 2000 that it "will not launch long-range missiles of any kind while talks on the missile issue continue". This so-called moratorium on missile launches has been renewed and reaffirmed in subsequent agreements, including the Japan-Democratic People's Republic of Korea Pyongyang Declaration of 17 September 2002, in which the Democratic People's Republic of Korea expressed its intention to "further maintain the moratorium on missile launching in and after 2003".

Stockpiling of Bacteriological (Biological) and Toxin Weapons and on Their Destruction (BWC) in March 1987, but not to the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction (CWC). Security Council resolution 1718 (2006) decided under Chapter VII that the Democratic People's Republic of Korea would abandon "all other existing weapons of mass destruction ... programme in a complete, verifiable and irreversible manner". Although this decision was not repeated in resolution 1874 (2009), its validity remains in place.

8. The six-party talks were resumed in December 2006, and on 13 February 2007 the parties announced agreement on first phase actions aimed at denuclearization of the Democratic People's Republic of Korea. That was followed, on 3 October 2007, with the agreement on "Second-Phase Actions for the Implementation of the Joint Statement". Under these agreements, the Democratic People's Republic of Korea undertook, in return for 50,000 tons of fuel oil aid and other economic assistance, to shut down its Yongbyon reactor within 60 days, and plans were subsequently laid for the return of IAEA inspectors. However, the six-party talks reached a new impasse soon thereafter. And, in September 2008, the Government reversed its position on the closing of Yongbyon nuclear facilities, requested IAEA to remove seals and surveillance equipment, and prohibited further IAEA access to the site.[4]

9. International tensions were further increased in April 2009, as the Democratic People's Republic of Korea, acting in contravention of Security Council resolution 1718 (2006), launched a multi-stage ballistic missile[5] again, which it claimed was an effort to place an experimental communications satellite[6] into orbit. The Security Council issued a presidential statement on 13 April 2009 (S/PRST/2009/7), condemning the launch. And, on 14 April 2009, the Democratic People's Republic of Korea declared that it would "never participate in such six-party talks nor will it be bound any longer to any agreement of the talks ...". It was further stated that the Democratic People's Republic of Korea "will boost its nuclear deterrent for self-defence in every way". Further ballistic missile launches by the Democratic People's Republic of Korea took place in July and October 2009.

10. On 25 May 2009, the Democratic People's Republic of Korea conducted a second underground nuclear test, leading the Security Council, on 12 June 2009, to adopt resolution 1874 (2009), strengthening the measures previously adopted in resolution 1718 (2006). Resolution 1874 (2009) also repeated decisions contained in resolution 1718 (2006) to suspend all ballistic missile-related activities and to re-establish the moratorium on missile launches. These and other decisions taken under Chapter VII have imposed legally binding obligations on the Democratic People's Republic of Korea.

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[4] The Democratic People's Republic of Korea granted IAEA access to the Yongbyon nuclear facilities in October 2008 and ceased again all cooperation with the Agency in April 2009. Upon request from the Government of the Democratic People's Republic of Korea, the Agency inspectors departed from the country on 16 April 2009.

[5] Derived from "Taepodong-2" and officially identified by the Government of the Democratic People's Republic of Korea as "Unha-2".

[6] Officially identified by the Government of the Democratic People's Republic of Korea as "Kwangmyongsong-2".

II. Background

11. An understanding of the measures adopted by the Security Council, their application, implementation and impact requires some discussion of the context in which these measures have been applied. This includes a review of the principal reasons cited by the Democratic People's Republic of Korea for its nuclear-related, other weapons of mass destruction-related and ballistic missile-related programmes, as well as the prevailing economic situation in the country.

12. While the decision-making process with regard to the country's nuclear-related, other weapons of mass destruction-related and ballistic missile-related programmes remains unclear, many experts with whom the Democratic People's Republic of Korea's conduct was discussed believe that it is influenced by a mixture of perceived security concerns and domestic factors. The Democratic People's Republic of Korea believes also that its nuclear programme can provide the country a way to achieve its stated goal of becoming a "strong and prosperous country" (*kangsongdaeguk*) by the year 2012 without succumbing to what they view as "foreign influences". They also consider their nuclear capability as a valuable asset that provides them important leverage in dealing with the rest of the world.

13. Two elements that stand out in the calculations of the Democratic People's Republic of Korea are its "military first" (*Songun*) policy and its emphasis on "self reliance" (*Juche*). It has broadly been reported that the Democratic People's Republic of Korea amended its Constitution in 2009 to elevate this "military-first" policy to a national guiding principle,[7] thereby solidifying the military's pre-eminent role. A number of Government officials stressed to the Panel that these policies and attendant political uncertainties have seriously complicated dealing with the Democratic People's Republic of Korea concerning its nuclear-related, other weapons of mass destruction-related and ballistic missile-related programmes.

14. While few reliable economic statistics are published by the Democratic People's Republic of Korea, several recent reports produced by credible foreign sources indicate that the Democratic People's Republic of Korea's State-directed economy is suffering from a number of serious setbacks.[8] The country's continuous trade deficits, the lack of foreign currency reserves, chronic food shortages and the recent currency restructuring have had a substantial negative impact on the overall economy and the well being of large segments of the general population. While consensus estimates place per capita income in purchasing power parity (PPP) values in the range of US$ 1,700 to US$ 2,250[9] (in foreign exchange rate values in US$ 900 to US$ 1,200) per year, these figures are skewered by a disproportionate distribution of national income that is devoted to the country's military programme and foreign purchases. At the same time, a considerable share of the general rural

[7] Article 3 of the new Constitution of the Democratic People's Republic of Korea stipulates that the country "is guided in its activities by the *Songun* and *Juche* ideologies, where *Juche* is a world outlook centered on people and a revolutionary ideology for achieving the independence of the masses".

[8] See, for example, North Korea: Economic Leverage and Policy Analysis, report prepared for the United States Congress by the United States Congressional Research Service, 22 January 2010.

[9] *The World Factbook* prepared annually by the United States Central Intelligence Agency, for example, places the per capita income figure for the Democratic People's Republic of Korea in 2009 at US$ 1,900. The non-governmental international organization Global Insight places the per capita figure at US$ 2,248 for 2008.

population remains on the edge of starvation and is largely dependent on international food assistance. A December 2008 joint report by the Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme indicated that some 40 per cent of the population — an estimated 8.7 million people — would need food aid during the 2008-2009 winter.[10]

15. The Government of the Democratic People's Republic of Korea has placed special emphasis on the development of a military-industrial complex, including a significant armaments industry and an industry capable of supporting the country's nuclear-related, other weapons of mass destruction-related and ballistic missile-related programmes. Military-related industries of the Democratic People's Republic of Korea (which also manufacture dual use items) are virtually indistinguishable from those supplying civilian needs. The Government reported that for 2009 it had allocated some 15.8 per cent of its US$ 3.7 billion budget to national defence expenditures,[11] but Government officials and experts with whom the Panel met have indicated that this figure is significantly understated.

16. While the Democratic People's Republic of Korea releases no official statistics concerning its export trade, estimates prior to resolution 1874 (2009) placed it in the range of US$ 1.5 and US$ 3 billion, with the Government running an annual trade deficit in excess of US$ 1 billion.[12] This continuing deficit, together with a decrease in overall trade, is having an increased adverse impact on the country's economy, especially since the second nuclear test in May 2009, and subsequent imposition of the further sanctions measures adopted in resolution 1874 (2009).[13]

17. The Democratic People's Republic of Korea relies heavily for its foreign exchange earnings on a very limited range of exports, including rice, pig iron, rolled steel, cement, machinery of various types, chemicals, magnetite (iron ore), textiles, armaments and gold. The military sector has also been given a prominent export role and concentrates on developing overseas markets for its locally produced military arms and equipment. However, these exports are now subject to Security Council measures that prohibit Member States from importing or exporting such items to or from the Democratic People's Republic of Korea. To supplement its foreign earnings, the Democratic People's Republic of Korea has long also been engaged in illicit and questionable international transactions. These transactions are reported to include the surreptitious transfer of nuclear-related and ballistic missile-related equipment, know-how and technology, illicit drug and cigarette smuggling and counterfeiting of currencies and cigarettes. A number of these surreptitious procurement and transfer techniques are now being used also to circumvent the Security Council-mandated controls placed on the country's exports and imports.

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[10] See Global Information and Early Warning System (GIEWS) Special Report-DPR Korea, 8 December 2008 (www.fao.org/docrep/011/ai475e/ai475e00.htm).

[11] On 19 April 2009, the first session of the twelfth Supreme People's Committee officially approved a 482.6 billion Won budget for 2009 allocating 15.8 per cent (or US$ 545 million) for national defence.

[12] See table 1 of the present report.

[13] While the calculation and publication of 2009 trade statistics are still incomplete, a number of past trading partners of the Democratic People's Republic of Korea are known to have curtailed trade with the country following its second nuclear test in May 2009.

III. Security Council measures

18. The Security Council, in resolution 1874 (2009), sought to strengthen and build upon the measures previously adopted by the Council in resolution 1718 (2006), with a view to convincing the Democratic People's Republic of Korea to comply with its Security Council-imposed obligations, to return to the six-party talks, and to take significant irreversible steps to carry out its undertakings pursuant to previous six-party talks agreements. The measures adopted were also designed to inhibit the ability of the Democratic People's Republic of Korea to acquire equipment, material, technology and financial and other resources related to its nuclear-related, other weapons of mass destruction-related and ballistic missile-related programmes. These measures now include:

- A ban on the provision to the Democratic People's Republic of Korea of all items, materials, equipment, goods and technology as specified in the resolution, as well as other items, material, equipment, goods and technology, determined by the Security Council or the Committee, which could contribute to the Democratic People's Republic of Korea's nuclear-related, other weapons of mass destruction-related, or ballistic missile-related programmes;
- A ban on the provision of all arms and related materiel to the Democratic People's Republic of Korea (with the exception, subject to notification requirements, of small arms and light weapons and their related materiel);
- A ban on the procurement from the Democratic People's Republic of Korea of listed and other items determined by the Security Council or the Committee, which could contribute to nuclear-related, other weapons of mass destruction-related, or ballistic missile-related programmes;
- A ban on the procurement from the Democratic People's Republic of Korea of all arms and related materiel, including, small arms and light weapons and their related materiel;
- A ban on the transfer to and from the Democratic People's Republic of Korea of financial transaction, technical training, advice, services or assistance related to the provision, manufacture, maintenance or use of all the items cited above (except for small arms and light weapons provided to the Democratic People's Republic of Korea);
- A ban on the provision of luxury goods to the Democratic People's Republic of Korea.

19. In addition, Member States (and relevant international financial and credit institutions) are also called upon:

- To prevent the provision of financial services or the transfer to, through, or from their territory, or to or by their nationals or entities organized under their laws (including branches abroad), or persons or financial institutions in their territory, of any financial or other assets or resources that could contribute to the Democratic People's Republic of Korea's nuclear-related, other weapons of mass destruction-related, or ballistic missile-related programmes or activities;
- To refrain from entering into new commitments for grants, financial assistance, or concessional loans to the Democratic People's Republic of Korea, except for humanitarian and developmental purposes directly

addressing the needs of the civilian population, or the promotion of denuclearization;

- Not to provide public financial support for trade with the Democratic People's Republic of Korea (including the granting of export credits, guarantees or insurance to their nationals or entities involved in such trade) where such financial support could contribute to the Democratic People's Republic of Korea's nuclear-related, other weapons of mass destruction-related, or ballistic missile-related programmes or activities; and,

- To exercise vigilance and prevent specialized teaching or training of Democratic People's Republic of Korea nationals within their territories or by their nationals, of disciplines which could contribute to the Democratic People's Republic of Korea's proliferation sensitive nuclear activities and the development of nuclear weapon delivery systems.

20. Resolution 1718 (2006) also provides for the designation of individuals and entities engaged in or providing support for, including through illicit means, the Democratic People's Republic of Korea's nuclear-related, other existing weapons of mass destruction-related and ballistic missile-related programmes. All Member States are obliged to take steps to prevent the entry into or transit though their territories of such persons and to freeze immediately funds, other financial assets and economic resources that are owned or controlled, directly or indirectly, by those persons or entities, or those acting on their behalf or at their direction.

21. Member States are called upon, by resolution 1874 (2009), to inspect, in accordance with their national authorities and legislation, and consistent with international law, all cargo to and from the Democratic People's Republic of Korea, in their territory, if the Member State concerned has information that provides reasonable grounds to believe the cargo contains items the supply, sale, transfer or export of which is prohibited by the resolution. A special interdiction regime also authorizes Member States to carry out such inspections, with the consent of the flag State, on the high seas. And when such consent is not forthcoming, an obligation is placed on the flag State to "direct the vessel to proceed to an appropriate and convenient port for the required inspection by local authorities ...". A Member State that discovers prohibited items in the course of an inspection is to seize and dispose of those items. Member States are also obliged to prohibit the provision of bunkering services to Democratic People's Republic of Korea vessels suspected of carrying prohibited items.

22. Paragraph 26 of resolution 1874 (2009) also requested the Secretary-General to establish a Panel of Experts for an initial period extending to 11 June 2010, charged with:

(a) Assisting the Committee established pursuant to resolution 1718 (2006) in carrying out its mandate;

(b) Gathering, examining and analysing information from States, relevant United Nations bodies and other interested parties regarding the implementation of the measures imposed by the Council in its resolutions 1718 (2006) and 1874 (2009), in particular incidents of non-compliance;

(c) Making recommendations on actions the Council, the Committee or Member States may consider to improve implementation of those measures.

The Panel was also assigned the task of providing both an interim and final report on its work to the Security Council, with the final report to be submitted to the Security Council by 12 May 2010.

IV. Panel of Experts

23. The Panel of Experts was appointed by the Secretary-General on 12 August 2009 as follows:[14] David J. Birch (United Kingdom of Great Britain and Northern Ireland, Coordinator), Masahiko Asada (Japan), Victor D. Comras (United States of America), Erik Marzolf (France), Young-wan Song (Republic of Korea), Alexander Vilnin (Russian Federation) and Xiaodong Xue (People's Republic of China).

24. The Panel of Experts has carried out its work on the basis of the terms of its mandate provided in paragraph 26 of resolution 1874 (2009) and direction received from the Committee. Internal decisions have been taken jointly. If, and when, divergent views have arisen on substantive issues among the members of the Panel, the perspective of the majority has been reflected, and an opportunity provided for the presentation of alternative view(s). Information that has been provided to the Panel of Experts on a confidential or restricted basis has been handled accordingly and in a manner consistent with the responsibilities of the Panel of Experts pursuant to resolution 1874 (2009).

25. In carrying out its activities the Panel of Experts has been mindful of the evidentiary methodological standards established by best practice and recommended by the Informal Working Group of the Security Council on General Issues of Sanctions in its report (S/2006/997), relying on verified documents and, wherever possible, first-hand, on-site observations by the experts themselves.

26. Since it began its work on 14 September 2009, the Panel of Experts has proactively carried out the various aspects of its mandate pursuant to paragraph 26 of resolution 1874 (2009). This has included examining and analysing reports submitted by Member States; conducting inquiries, research and travel related to the implementation of, and compliance with, the measures contained in resolutions 1718 (2006) and 1874 (2009); outreach activities; and advice and assistance to the Committee and Member States. In this regard, the Panel of Experts has assisted the Committee in:

- Examining and taking appropriate action on information regarding actual and alleged violations of measures imposed by Security Council resolutions;
- Considering and taking appropriate action on reports received from Member States on their inspection or seizure and disposal of cargo;
- Preparing guidance on implementation of paragraph 8 (a) (iii) (luxury goods) of resolution 1718 (2006), paragraph 10 (small arms and light weapons) of resolution 1874 (2009) and paragraph 21 (activities of diplomatic missions) of resolution 1874 (2009);

[14] After one of the experts appointed by the Secretary-General informed the Secretariat that she could not assume her functions owing to personal reasons, the Secretary-General, in consultation with the Committee, appointed another expert in her stead and informed the Council accordingly in a letter dated 27 October (S/2009/555).

- Conducting a comprehensive review of the Member States' national implementation reports pursuant to resolutions 1718 (2006) and 1874 (2009);
- Its deliberation on additional designation of goods, entities and individuals.

Each of these areas will be addressed subsequently in this report.

27. The Panel of Experts intends to continue its work on a number of additional tasks that, owing to time constraints, have not yet been completed. These tasks include, inter alia, best practices to identify and avoid the provisions of specialized teaching or training of nationals of the Democratic People's Republic of Korea, within their territories or by their nationals, in disciplines that could contribute to the proliferation-sensitive nuclear activities of the Democratic People's Republic of Korea and its development of nuclear-weapon delivery systems; examine the use by the Democratic People's Republic of Korea of informal financial transfer mechanisms such as cash couriers and other well-known techniques that can be used for money-laundering or other surreptitious transactions; and develop guidelines, tools and best practices related to the vetting of projected investments in and public financing for, the Democratic People's Republic of Korea.

28. In accordance with paragraph 26 (d) of resolution 1874 (2009), the Panel presented an interim report to the Security Council on 12 November 2009.[15] This interim report provided information on the work of the Panel in assisting the Committee in the implementation of its mandate during the reporting period and general outline of the work programme of the Panel to implement the mandate pursuant to paragraph 26 of resolution 1874 (2009). It reviewed measures that Member States took to implement provisions of the resolutions 1718 (2006) and 1874 (2009) and recommended a number of actions to be undertaken by the Panel to enhance effectiveness of the measures contained in the resolutions.

29. The Panel has also been active in supporting the outreach, dialogue, assistance and cooperation activities of the Committee. This has included assisting the Committee in the preparation of informal guidance to Member States concerning the preparation of national implementation reports and in providing specific guidance, when requested by Member States, concerning the implementation of measures of the Security Council resolutions.

30. In furtherance of its mandate, the Panel has sought broad consultations and dialogue with as many relevant interested countries and appropriate experts as possible. In this regard, Panel members met with representatives of several missions in New York and have visited several countries involved in the six-party talks, including the United States of America (19-20 November 2009), the Republic of Korea (9-11 December 2009), Japan (14-15 December 2009) and the Russian Federation (18-19 February 2010). In each of these countries, briefings were received from Government authorities and non-governmental experts concerning the political context and rationale for the Security Council measures as well as their application and efficacy. Briefings were also provided concerning national

[15] According to subparagraph 26 (d) of resolution 1874 (2009), the Panel was requested to "provide an interim report on its work to the Council no later than 90 days after adoption of this resolution". However, owing to delays in the appointment of the experts, the Security Council agreed, in informal consultations on 14 September 2009, to delay the deadline for the submission of the interim report by 60 days.

implementation and enforcement measures. The Panel will look forward to conducting a similar visit to the People's Republic of China.

31. Panel members also visited Busan, Republic of Korea; Yokohama, Japan; Singapore; Kuala Lumpur, Malaysia; Canberra, Australia; Vienna, Austria; as well as the Commission of the European Union in Brussels and the International Atomic Energy Agency in Vienna to obtain information concerning the implementation and enforcement of the Security Council measures and related compliance issues. On the occasion of the Panel's participation in the seventeenth Asian Export Control Seminar held in Tokyo from 26 to 28 January 2010, Panel members had the opportunity to exchange views with and collect information from most of the 26 participating countries and territories regarding the effective implementation of the resolutions. Furthermore, Panel members consulted with non-governmental experts on reported Democratic People's Republic of Korea-related illicit arms trade, ballistic missile and nuclear proliferation activities, as well as concerning the modalities of cargo forwarding, inspection and interdiction. During their visit to Busan, the Panel members had the opportunity to investigate the seized protective suits on which the Republic of Korea reported to the Committee. The Panel is awaiting similar opportunities with regard to other compliance-related cases reported to the Committee.

32. The Panel of Experts has conducted its travel in accordance with modalities established by the Committee, and reflected in its note verbale dated 1 February 2010 (S/AC.49/2010/OC.4).[16] In this regard, the Panel has provided written reports to the Committee concerning these visits.

V. Reports of Member States

33. Resolutions 1718 (2006) and 1874 (2009) specifies two types of reporting by Member States. One involves reporting to the Security Council on the steps Member States have taken to implement the measures imposed by both resolutions and the other is to report to the Committee on cases of inspection, seizure and disposal of cargo whose provision is prohibited to or from the Democratic People's Republic of Korea.

A. National implementation reports

34. Paragraph 11 of resolution 1718 (2006) calls upon all Member States to report to the Security Council on "the steps they have taken with a view to implementing effectively the provisions of paragraph 8" of the resolution. This reporting system is reiterated in resolution 1874 (2009), paragraph 22, in which the Council calls upon

[16] The Committee informed the Panel, in its note verbale (S/AC.49/2010/OC.4) dated 1 February 2010 that, with regard to modalities for travel, the Panel is required to ensure that travel is related to carrying out the Panel's mandate, as specified in paragraph 26 of resolution 1874 (2009); to provide the Committee with an advance notice of any travel, including a draft itinerary and proposed objectives, at least two weeks before departure, and in the event of urgent travel as much advance notice as possible; to provide the Committee with a written report on each visit as soon as possible after returning (preferably within two weeks); and, to meet at least once a month with the Committee to brief the Committee on the Panel's activities, including travel, and answer questions from Committee members.

all Member States to report to the Council on "concrete measures they have taken in order to implement effectively the provisions of paragraph 8 of resolution 1718 (2006) as well as paragraphs 9 and 10 of this resolution, as well as financial measures set out in paragraphs 18, 19 and 20 of this resolution". Submission of national implementation reports is important to an overall evaluation of the steps being taken to implement the Security Council measures and to ensure they are implemented effectively.

35. As at 30 April 2010, 73 Member States and the European Union had submitted their national implementation reports pursuant to resolution 1718 (2006) and 48 Member States had done so pursuant to resolution 1874 (2009). An analysis of the 112 non-reporting/late-reporting Member States indicates that 51 are in Africa, 28 in Asia, 25 in Latin America and the Caribbean, 6 in Eastern Europe and 2 in Western Europe. It is noted by the Panel that the Democratic People's Republic of Korea historically has had trade relations with many of these non-reporting/late-reporting Member States.

36. The number of national reports submitted to date pursuant to resolutions 1718 (2006) and 1874 (2009) appears consistent with other Security Council resolutions calling for the submission of national implementation reports. Previous studies conducted by other expert groups on non-reporting or late-reporting Member States indicate that reasons for this may include a lack of resources, a lack of experience, a lack of awareness, insufficient understanding, different national priorities, and time-consuming inter-agency procedures. It is presumed that many of these same reasons may have contributed to the large number of Member States not submitting their reports in a timely fashion. A study by the Panel of Experts of the reasons for the non-reporting or late-reporting by Member States pursuant to resolutions 1718 (2006) and 1874 (2009) could serve to improve this situation.

37. The Panel of Experts has provided a number of recommendations to the Committee to help stimulate increased and more in-depth reporting concerning national implementation of the measures contained in the resolutions. These recommendations were contained in its February 2010 quarterly review update report to the Committee. That report suggested, among other measures, that the Committee send a note verbale reiterating the importance attached to these national implementation reports. It was also suggested to send a note verbale to indicate the availability of assistance from the Committee and the Panel of Experts in this regard. Outreach activities undertaken by the Committee and the Panel of Experts would also prove useful. Such outreach could include briefing by the Committee and participation in or organization of regional or subregional seminars and conferences. Coordinated outreach activities with other committees of the Security Council and their groups of experts might also prove beneficial. It would also be helpful to provide an optional guideline template as a checklist to Member States in order to show them a possible structure for the submission of their reports to the Security Council. The Panel of Experts further recommended that an explanation of the obligations of Member States to report on their national implementation under both resolutions and an informal guidance paper on preparing reports be prepared by the Committee with the assistance of the Panel of Experts.

38. The national implementation reports submitted to date vary considerably in content, detail and format. Several set forth in detail the measures taken by Member States to implement the resolutions, and also include measures taken by them

autonomously. A large number of reports, however, state only that steps have been or will be taken to implement the resolution but provide little or no detail. A number of reports make reference only to the names and citations of legislation. It was clear that a number of Member States had not enacted all necessary measures within the reporting time frame provided for by the resolution. It would be difficult, if not impossible, for the Panel of Experts to evaluate the implementation of resolutions 1718 (2006) and 1874 (2009) based solely on such limited level of information. Member States should be reminded that paragraph 22 of resolution 1874 (2009) calls upon Member States to report on the "concrete measures" taken to implement provisions of both resolutions 1718 (2006) and 1874 (2009).

39. There appear to be certain lacunae in the resolutions with regard to the measures about which Member States are called upon to report. For example, Member States are not called upon by resolution 1874 (2009) to report on the measures taken to prohibit the provision of bunkering services to vessels of the Democratic People's Republic of Korea suspected of carrying prohibited items (para. 17) as well as measures taken to prevent specialized teaching or training of Democratic People's Republic of Korea nationals of disciplines that could contribute to the proliferation sensitive nuclear activities of the Democratic People's Republic of Korea and the development of nuclear weapon delivery systems (para. 28). As the measures taken to implement those provisions are important to evaluate the steps being taken to implement the resolutions, all Member States should be invited to include them in their national implementation reports. The detailed inspection-related provisions of resolution 1874 (2009) concerning inspection of cargo (para. 11), inspection on the high seas (para. 12), the obligation to direct the vessel to a port (para. 13), and seizure and disposal of items (para. 14) should be treated similarly, as they constitute useful information complementary to those provided under paragraph 8 (f) of resolution 1718 (2006), regarding the "cooperative action including through inspection of cargo" that Member States are called upon to take. The reporting by Member States on the implementation of these measures could also assist the Committee and the Panel of Experts in the targeting of awareness and outreach activities.

B. Compliance-related reports (inspection, seizure and disposal)

40. Paragraph 15 of resolution 1874 (2009) requires that any Member State that undertakes an inspection or seizes and disposes of cargo promptly submit "reports containing relevant details to the Committee on the inspection, seizure and disposal". The resolution in paragraph 16 also specifies that Member States that do not receive the cooperation of the flag State to authorize inspection of the vessel on the high seas or to direct the vessel to a port for inspection are required to report such refusals to the Committee with the relevant details. The obligation to submit such inspection-related reports is underscored by the fact that the Security Council chose specifically to "require" such reports. As inspection, seizure and disposal are to be conducted in cases of suspected non-compliance with the measures imposed by the resolutions, the Panel has chosen to describe these reports herein as "compliance-related reports".

41. Six non-compliance cases have been reported to the Committee since the adoption of resolution 1874 (2009).[17] Upon receiving these reports, the Committee, in each case, sent notes verbales to all Member States that could provide additional relevant information on the case. The response rates to those inquiries have varied considerably. In the case reported by the United Arab Emirates, most Member States responded to the Committee's inquiry by providing additional information. In the other cases, only a limited number of additional reports have been received.[18] All Member States should be reminded that paragraph 27 of resolution 1874 (2009) "urges all States ... and other interested parties, to cooperate fully with the Committee and the Panel of Experts, in particular by supplying any information at their disposal on the implementation of the measures imposed by resolution 1718 (2006) and this resolution".

42. The Panel of Experts believes that consideration should also be given to including in compliance-related reports those cases where inspections have been undertaken on suspicion of proscribed cargo even if no such cargo is discovered. Likewise, circumstances such as when proscribed items are known to have been supplied to the Democratic People's Republic of Korea (i.e. accomplished cases), when the export of proscribed items to the Democratic People's Republic of Korea is stopped before they actually enter into international commerce (i.e. attempted cases), or when export permission is sought but denied by the relevant authorities (i.e. denied cases) should also be reported. It should be recalled that the Panel of Experts is mandated to examine and analyse all "incidents of non-compliance". Non-compliance in this context should be interpreted to include not only interdicted cases, but also accomplished, attempted and denied cases. Here again, it should be recalled that all States and other interested parties are urged to cooperate fully with the Committee and the Panel by supplying relevant information at their disposal.[19]

VI. Trade-related measures

A. Overview

43. According to trade statistics compiled by the International Monetary Fund, the Democratic People's Republic of Korea, prior to the imposition of Security Council measures, had established trading relations with some 80 countries or customs territories. Of these, China, the Republic of Korea, Japan and the Russian Federation represented the Democratic People's Republic of Korea's most important trading partners, although significant trade was also being conducted with various European Union member countries, particularly Italy and Germany. Since the imposition of the additional measures contained in resolution 1874 (2009), which was adopted in June 2009, the Democratic People's Republic of Korea trade[20] has declined sharply

[17] See paras. 61-64, para. 67 and annex B to the present report. Annex B is a separate, confidential annex containing supplementary information which is available to the members of the Security Council.

[18] See annex B to the present report.

[19] For example, Austria and Japan have provided the Panel of Experts, in response to its request, with relevant information on non-compliance and other related cases which they were not required to report under current provisions of resolutions 1718 (2006) and 1874 (2009).

[20] For estimated trade of the Democratic People's Republic of Korea with selected trading partners (2000-2009), see table 1.

with many of these countries, particularly in terms of exports to the Democratic People's Republic of Korea. Several countries such as the United States, Japan, Australia, the Republic of Korea, and the members of the European Union have placed further domestic restrictions on trade, investment and financial dealings with the Democratic People's Republic of Korea.

Table 1

Estimated trade of the Democratic People's Republic of Korea with selected trading partners, 2000-2009

(in millions of United States dollars)

Democratic People's Republic of Korea exports (to the following countries)

	2000	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*
World	1 319	1 171	1 291	1 266	1 561	1 568	1 909	2 535	2 801	—
Republic of Korea	152	176	272	289	258	340	520	765	932	934
China	37	167	271	395	582	497	468	582	754	501
United States	0	0	0	0	1	0	0	0	0	0
Japan	257	226	236	174	164	132	78	0	0	0
Russia	8	15	10	3	5	7	20	34	14	21
European Union	140	86	76	75	145	66	196	87	153	79
Indonesia	1	2	3	0.4	7	9	0.5	3	8	8
Malaysia	2	1	0.2	0.2	0	0.2	0.4	2	2	0.2
Philippines	0	0	0	0	0	0	0	0	0	0
Singapore	3	3	1	1	2	7	7	1	0.3	2
Thailand	20	24	44	51	90	132	168	36	29	14

Democratic People's Republic of Korea imports (from the following countries)

	2000	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*
World	1 859	3 086	1 973	2 051	2 616	3 388	2 908	3 437	4 127	—
Republic of Korea	273	227	370	435	439	715	830	1 032	888	745
China	451	573	467	628	795	1 085	1 232	1 392	2 033	1 210
United States	3	0.7	25	8	24	6	0	2	52	1
Japan	207	1 065	133	91	89	63	44	9	8	3
Russia	36	56	47	112	205	224	191	126	97	41
European Union	183	235	290	266	176	202	157	79	145	109
Indonesia	14	4	2	2	4	7	13	0.4	7	8
Malaysia	1	7	4	7	20	17	7	8	17	11
Philippines	0	0	0.4	0.3	0.1	0.1	0.1	0	0	0
Singapore	46	112	84	60	55	73	60	55	120	55
Thailand	184	106	172	204	239	206	227	192	48	30

Democratic People's Republic of Korea balance of trade

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Balance of trade	-540	-1 915	-682	-785	-1 055	-1 820	-999	-901	-1 326	—

Sources: Data for the Republic of Korea are from the Ministry of Unification of the Republic of Korea; data for China, Japan, the Russian Federation, the European Union, and a partial list of Association of Southeast Asian Nations countries are from Global Trade Atlas; data for the United States are from Global Trade Atlas and TradeStats Express National Trade Data, accessed via United States Department of Commerce website, in April 2010.

44. The Democratic People's Republic of Korea maintains a wide network of trade offices that work in close conjunction with its diplomatic missions overseas. These offices are charged with both procurement and developing select trade opportunities of interest to the Democratic People's Republic of Korea's leadership, including arranging and handling its illicit trade and covert acquisitions. Some of these activities have been aimed principally at identifying opportunistic markets for both licit and illicit exports. While much of the country's illicit or covert acquisition activities are handled by these offices, the Democratic People's Republic of Korea has also established links with overseas criminal networks to carry out these activities, including the transportation and distribution of illicit and smuggled cargoes. This may also include weapons of mass destruction-sensitive goods and arms and related materiel smuggling.

B. Compliance related to nuclear, other weapons of mass destruction and ballistic missile activities

45. Resolutions 1718 (2006) and 1874 (2009) place special emphasis on inhibiting the ability of the Democratic People's Republic of Korea to acquire, and to provide to others, materials, equipment, goods, technology and technical know-how with regard to nuclear weapons and other weapons of mass destruction as well as ballistic missiles. Resolutions 1718 (2006) and 1874 (2009) require all Member States to "prevent the direct or indirect supply, sale or transfer to the Democratic People's Republic of Korea, through their territories or by their nationals, or using their flag vessels or aircraft, and whether or not originating in their territories, of ... all items, materials, equipment, goods and technology as set out in the lists in documents S/2006/814 and S/2006/815 ... as well as other items, materials, equipment, goods and technology, determined by the Security Council or the Committee, which could contribute to the Democratic People's Republic of Korea's nuclear-related, ballistic missile-related or other weapons of mass destruction-related programmes ..."[21]

46. In addition to the obligations imposed by resolutions 1718 (2006) and 1874 (2009), most Member States have also undertaken binding legal obligations under treaties to which they are parties, or have made other commitments aimed at preventing the proliferation of nuclear, chemical or biological weapons, and have taken effective measures to account for, secure and physically protect sensitive materials, such as those required by the Treaty on the Non-Proliferation of Nuclear Weapons, the Chemical Weapons Convention, the Biological Weapons Convention, and the Convention on the Physical Protection of Nuclear Materials, as well as those recommended by the IAEA

[21] Security Council resolution 1718 (2006), para. 8 (a) (ii).

Code of Conduct on the Safety and Security of Radioactive Sources. Security Council resolution 1540 (2004) also directs Member States to:

> "(a) Develop and maintain appropriate effective measures to account for and secure such items in production, use, storage or transport;
>
> (b) Develop and maintain appropriate effective physical protection measures;
>
> (c) Develop and maintain appropriate effective border controls and law enforcement efforts to detect, deter, prevent and combat, including through international cooperation when necessary, the illicit trafficking and brokering in such items in accordance with their national legal authorities and legislation and consistent with international law;
>
> (d) Establish, develop, review and maintain appropriate effective national export and trans-shipment controls over such items, including appropriate laws and regulations to control export, transit, trans-shipment and re-export and controls on providing funds and services related to such export and trans-shipment such as financing, and transporting that would contribute to proliferation, as well as establishing end-user controls; and establishing and enforcing appropriate criminal or civil penalties for violations of such export control laws and regulations ...".

47. To date, some 80 Member States and the European Union have submitted their national implementation reports pursuant to resolution 1718 (2006) and/or resolution 1874 (2009), while as many as 112 Member States have not as yet provided a national report under either resolution.[22] A review of the reports submitted indicates that most reporting countries have adopted or intend to adopt customs, export and financial control measures designed, in part, to address international nuclear proliferation concerns and to inhibit also the availability and proliferation of ballistic missiles. Special attention is now also paid to restricting the availability of items associated with the development of other weapons of mass destruction. These measures also apply to monitor and control transactions with the Democratic People's Republic of Korea, and to assure compliance with resolutions 1718 (2006) and 1874 (2009).

48. No official allegations have been presented to the Committee concerning the provision of proscribed nuclear-related or ballistic missile-related items, technology or know-how to or from the Democratic People's Republic of Korea since the adoption of Security Council resolution 1874 (2009).

49. Nevertheless, the Panel of Experts has reviewed several government assessments,[23] IAEA reports,[24] research papers and media reports indicating

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[22] See sect. V.

[23] Reference is made to the press briefing by Mathew J. Burrows, United States National Intelligence Council (NIC) Counsellor and Director of the Analysis and Production Staff, 24 March 2010 (www.dni.gov/interviews/20100324_interview.pdf), as well as the background briefing with senior United States officials on the Syrian Arab Republic's covert nuclear reactor and North Korea's involvement, 24 April 2008 (www.dni.gov/interviews/20080424_interview.pdf). Reference is also made to concerns expressed in the French White Paper on defence and national security, June 2008, regarding continuing military cooperation between the Democratic People's Republic of Korea and other countries in the ballistic missile field (www.livreblancdefenseetsecurite.gouv.fr/IMG/pdf/livre_blanc_tome1_partie1.pdf).

[24] International Atomic Energy Agency, Implementation of the NPT Safeguards Agreement in the Syrian Arab Republic (GOV/2010/11, 18 February 2010).

continuing involvement of the Democratic People's Republic of Korea in nuclear-related and ballistic missile-related activities in certain other countries, including the Islamic Republic of Iran, the Syrian Arab Republic and Myanmar. A number of government and private experts with whom members of the Panel of Experts had spoken also expressed concern that the Democratic People's Republic of Korea has the capability as well as the propensity to provide nuclear-related and ballistic missiles-related equipment, facilities, technical advice to and through clients overseas.

50. Evidence provided in these reports indicates that the Democratic People's Republic of Korea has continued to provide missiles, components and technology to certain countries, including the Islamic Republic of Iran and the Syrian Arab Republic, since the imposition of these measures. The Panel of Experts has also reviewed government-issued reports indicating that the Democratic People's Republic of Korea has provided assistance for a nuclear programme in the Syrian Arab Republic, including the design and construction of a thermal reactor at Dair Alzour. IAEA is still attempting to obtain updated reports concerning the current status of this site and the activities involved.[25]

51. The Panel of Experts is also looking into suspicious activity in Myanmar, including activities there of Namchongang Trading (NCG), a Committee-designated entity, and reports that Japan, in June 2009, arrested three individuals for attempting to illegally export a magnetometer to Myanmar through Malaysia, allegedly under the direction of a company known to be associated with illicit procurement for Democratic People's Republic of Korea nuclear and military programmes.

52. The Panel of Experts believes that the information referred to paragraphs 49 to 51 merits the close attention of Member States with regard to the implementation and enforcement of the Security Council measures. Further study with regard to these suspected activities will be conducted by the Panel in order to develop a more thorough understanding of the facts. The Panel will seek the cooperation of relevant organizations, including IAEA, in this regard.

53. Recalling that Security Council resolution 1874 (2009) calls upon all Member States to undertake inspections of suspected cargoes within their territories or on the high seas (subject to the consent of the flag State) and directs that a Member State which discovers such items seizes and disposes of them and reports such actions to the Committee. However, unlike the case of arms and related materiel, discussed below, there have been no reports submitted to the Committee to date concerning nuclear-related and ballistic missile-related items. It may be that no interdiction has taken place with regard to such items; or it may be that reports have not been submitted owing to their sensitivity. In either case, a better understanding of the reason for non-reporting would be useful.

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[25] In a letter to IAEA dated 24 May 2009, the Syrian Arab Republic denied these allegations but provided no supporting documentation concerning the facilities in question. In its last report on implementation of the Treaty on the Non-Proliferation of Nuclear Weapons Safeguards Agreement in the Syrian Arab Republic, IAEA underlines that the Syrian Arab Republic has not cooperated with the Agency since June 2008 regarding the unresolved issues related to the Dair Alzour site (see para. 15 of Gov/2010/11 of 18 February 2010). See also statement to the 2010 Review Conference of the Parties to the Treaty on the Non-Proliferation of Nuclear Weapons made by IAEA Director General, Yukiya Amano, 3 May 2010.

C. Compliance related to arms exports and imports

54. According to paragraph 8 of resolution 1718 (2006) as amended by paragraphs 10 and 11 of resolution 1874 (2009), all Member States shall prevent the supply, sale or transfer to the Democratic People's Republic of Korea of all arms and related materiel, except for small arms and light weapons and their related materiel; shall prohibit the procurement from the Democratic People's Republic of Korea of all arms and related materiel; and shall prevent any transfer to or from the Democratic People's Republic of Korea of financial transactions, technical training, advice, services or assistance related to the provisions, manufacture, maintenance or use of all arms and related materiel, except for small arms and light weapons supplied to the Democratic People's Republic of Korea. While calling upon all States to exercise vigilance over the supply, sale or transfer to the Democratic People's Republic of Korea of small arms and light weapons, paragraph 10 of resolution 1874 (2009) prescribes that States shall notify the Committee at least five days prior to selling, supplying or transferring small arms or light weapons to the Democratic People's Republic of Korea. To date, there has been no report from any Member State to the Committee on the supply, sale or transfer to the Democratic People's Republic of Korea of any small arms and light weapons, and related materiel.

55. The Democratic People's Republic of Korea has established a highly sophisticated international network for the acquisition, marketing and sale of arms and military equipment, and arms exports have become one of the country's principal sources for obtaining foreign exchange. Several government agencies of the Democratic People's Republic of Korea play key roles in arms and related materiel exports. In particular, agencies under the National Defence Commission (NDC), the Workers' Party of Korea (WPK) and the Korean People's Army (KPA) are most active in this regard.[26] How these agencies actually work is shrouded in secrecy. However, it is broadly believed that the Second Economic Committee of the National Defence Commission plays the largest and most prominent role in nuclear-related, other weapons of mass destruction-related and missile-related development programmes, as well as in arranging and conducting arms-related exports. The Military Arms Production Department of the Korea Workers' Party oversees the matters related to the Yongbyon nuclear plant and its nuclear weapons programmes. The Second Academy of Natural Sciences is in charge of research and development of arms and military equipment, and participates in the exports of missiles and parts, services and assistance related to maintenance and use of such missiles. And, the General Bureau of Surveillance of the Korean People's Army is involved in the production and sales of conventional armaments.

56. In response to the Committee's designation in 2009 of eight entities and five individuals known to be engaged in proscribed transactions, including arms sales, the Democratic People's Republic of Korea quickly moved to substitute other companies to assume their activities and/or to act on their behalf. In this fashion, Green Pine Associated Company (a.k.a. Paeksan Associated Corp.) replaced Korea Mining Development Trading Corporation (a.k.a. Changgwang Sinyong Corporation; a.k.a. Changgwang Trading Corporation; a.k.a. "KOMID"), and is now responsible for about half of the country's arms and related materiel exports. Green Pine

[26] All of the designated entities and individuals are either under the direction or control of these powerful organizations.

Associated Company is under control of the General Bureau of Surveillance of the Korean People's Army.

57. A review of past cases indicates that prior to the adoption of resolution 1874 (2009), the Democratic People's Republic of Korea often used its flagged vessels to deliver weapons shipments to recipient countries. In January 2009, the *Bi Ro Bong*, a ship registered in the Democratic People's Republic of Korea, delivered a shipment of weapons to the Democratic Republic of Congo.[27] In June 2009, shortly after the adoption of resolution 1874 (2009), there were suspicions about the type of cargo aboard the *Kang Nam 1*, owned by and flying the flag of the Democratic People's Republic of Korea, and bound for Myanmar. Faced with refusal of the entry into port by countries in South-East Asia, the *Kang Nam 1* reversed its course and returned to port in the Democratic People's Republic of Korea. Owing to the deteriorating conditions of the country's maritime fleet[28] and the enhanced vigilance on Democratic People's Republic of Korea-owned and/or -flagged vessels since the adoption of resolution 1874 (2009), the Democratic People's Republic of Korea appears now to rely increasingly on foreign-owned and -flagged ships to carry all or part of its illicit cargo.

58. An analysis of reported cases after the adoption of resolution 1874 (2009)[29] indicates that the Democratic People's Republic of Korea has employed several different techniques to circumvent measures in resolutions 1718 (2006) and 1874 (2009) and to mask its illicit trades in arms and related materiel. In some cases closed crates or containers were falsely described and mislabelled by the exporters in the Democratic People's Republic of Korea and shipped under Democratic People's Republic of Korea Customs seal to ports in other countries, where they would then be packed with extraneous items and/or repacked into standard size maritime shipping containers. The content of the containers would then be marked and documented to reflect the added extraneous cargo or otherwise be falsely described and labelled. The manifests covering the shipments would also likely be falsified to reflect this cargo description. Information concerning the original consignor and ultimate consignee would also likely be obscured, altered or falsified. In several cases the consignors even took further steps to hide the real contents by further laundering the documentation as the container passed through key trans-shipment points in East Asia. Multiple layers of intermediaries, shell companies and financial institutions would also be used to hide the true originators and recipients. While this process of packing and repacking is carried out by the freight forwarder, in most cases it is acting on instructions received from the original consignor and has no knowledge of the actual content of the containers.

59. The Democratic People's Republic of Korea is also believed to use air cargo to handle high valued and sensitive arms exports. Such cargo can be sent by direct air cargo from the Democratic People's Republic of Korea to the destination country. Some modern cargo planes, for example, can fly non-stop from the Democratic People's Republic of Korea to the Islamic Republic of Iran (when routed directly

[27] In its final report (S/2009/603), the Group of Experts on the Democratic Republic of Congo detailed this suspected shipment. The Group was not in a position to physically investigate the contents of the shipment; however, it was able to confirm that the shipment contained arms and ammunition.

[28] See para. 80.

[29] See paras. 61-64 and annex B.

through neighbouring air space). However, most aircraft would be forced to make refuelling stops, with or without such neighbouring air space overflight rights, as in the case of the Democratic People's Republic of Korea arms shipment seized in Thailand. Difficulties involved in inspection of the cargo in these aircraft in transit, and the inability to subject direct flights to the inspection procedures contained in resolution 1874 (2009), leaves in place an important vulnerability with respect to the implementation of the resolution.

60. A technique now being used by the Democratic People's Republic of Korea to conceal its arms exports is to ship components for the assembly of arms overseas in the form of "knock-down kits" that can be delivered to foreign assembly plants. In some cases, this is a turnkey operation with the participation of scientists, technicians and specialists of the Democratic People's Republic of Korea. In other cases, assembly is carried out only by local staff. During its examination of the case of seizure of Democratic People's Republic of Korea-origin military-related materiel at Durban harbour, South Africa, being shipped to the Republic of Congo, the Panel learned that scores of technicians and specialist workers from the Democratic People's Republic of Korea were contracted for through private sector channels and brought to the Republic of Congo to carry out the work on the military equipment.

61. In August 2009, the United Arab Emirates reported to the Committee that it had seized on 22 July 2009 military shipment aboard *ANL Australia*. The Committee requested further information from relevant Member States and the Panel of Experts began its own inquiries. *ANL Australia* is owned by ANL Container Line Pty Ltd, an Australian-registered company. The ship was registered on the Commonwealth of the Bahamas Ship Registry. The shipper of the cargo was the Pyongyang representative office of OTIM SPA, an Italian shipping company. The cargo was falsely described on the shipping documents as oil boring machine (spare parts). The cargo was custom sealed and loaded on a Democratic People's Republic of Korea ship in the port of Nampo, Democratic People's Republic of Korea, and trans-shipped multiple times on its way to the declared destination, Bandar Abbass, Islamic Republic of Iran.

62. The Government of the Republic of Korea informed the Committee on 13 October 2009 that the relevant authorities of the Republic of Korea inspected at the port of Busan a container ship flying the Panama flag with the name of *MSC Rachele*, owned by Mediterranean Shipping Company, a Swiss firm, and found that four containers were filled with working protective garments that were deemed to have military utility for chemical protection. The Republic of Korea authorities further indicated that their investigation had revealed that the shipment of the four containers in question had originated in the port of Nampo, Democratic People's Republic of Korea, and were shipped on or about 11 September 2009 to Dalian, China. In Dalian the containers were placed on board the *MSC Rachele*. The intended recipient of the goods was declared as the Environmental Study Centre in the Syrian Arab Republic. The Government of the Syrian Arab Republic disavowed the shipment. In December 2009, the Panel was given an information briefing from officials of the Republic of Korea and experts on the case and the nature of the goods. The Panel was also able to physically examine the goods in the port of Busan. Based on the information provided and expertise of the Panel, it concluded

that these goods would primarily have military application in the protection against certain chemical agents.[30]

63. In February 2010, the Panel of Experts was apprised of the discovery and seizure of a shipment of spare parts destined to refurbish T-54/T-55 military tanks and other military goods located in the Republic of Congo. The shipment was interdicted by the South African Government in the Port of Durban on route to Pointe Noire, Republic of Congo.[18] The cargo had its origin in the Democratic People's Republic of Korea and was forwarded to Dalian, China, where it was loaded aboard the United Kingdom-flagged vessel *CGM Musca*, owned by the French company CMA CGM, on 20 October 2009. A large quantity of rice grains packed in sacks lined the containers. The shipper was subsequently identified as Machinery Exp. and Imp. Corp. in the Democratic People's Republic of Korea. After leaving Dalian, China, the cargo was offloaded in Port Klang, Malaysia, and transferred to the *Westerhever*, a ship flying the Liberia flag chartered by Delmas Shipping, a subsidiary of CMA CGM. The shipping documents listed the contents of the containers only as "spare parts of bulldozer".

64. As noted in paragraph 59 above, the Democratic People's Republic of Korea also uses air transport routes for its illicit trade of proscribed items. On 11 December 2009, Government of Thailand authorities interdicted an Ilyushin-76 aircraft carrying 35 tons of arms and related materiel. The interdicted cargo was discovered aboard a chartered aircraft operated by Air West Company, which departed from Sunan International Airport in Pyongyang, Democratic People's Republic of Korea, and landed at Don Mueang Airport in Bangkok to refuel.[18] The airway bill covering the shipment had been issued by Air Koryo, the national carrier of the Democratic People's Republic of Korea. It indicated the cargo as 145 crates of "mechanical parts". However, the Thai inspection of the cargo revealed that the content consisted of some 35 tons of conventional arms and munitions, including 240 mm rockets, rocket-propelled grenades-7s, thermobaric grenade-7s and man-portable air-defence systems (MANPADS) surface-to-air missiles. It was also established that the shipper was Korea Mechanical Industry Co. Ltd, a Democratic People's Republic of Korea entity, and that the consignee was Top Energy Institute located in the Islamic Republic of Iran. A puzzling factor in this case is the numerous flight plans filed for the outbound and projected return route of the aircraft. This has raised suspicions concerning the nature of the transaction and ultimate destination of the cargo and should entail further inquiry. The aircraft used in this illicit trade is owned by a company in the United Arab Emirates and registered in the Republic of Georgia as 4L-AWA. It was leased to SP Trading Limited, a shell company registered in New Zealand, and then chartered to Union Top Management Ltd, another shell company registered in Hong Kong. This routing may have been an attempt to mask the aircraft's true destination.

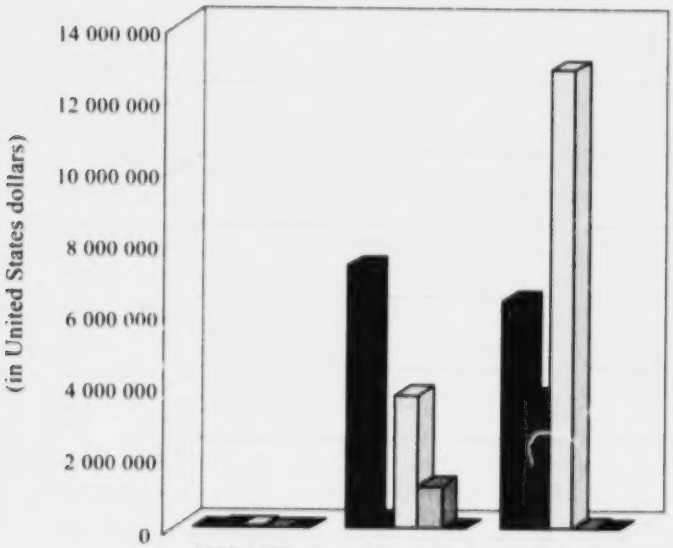
65. The Committee has been notified of four non-compliance cases involving arms exports, since the adoption of resolution 1874 (2009). There is no way of determining how many other illicit arms transactions may have gone undetected. However, based on the cases notified to the Committee so far, the Panel of Experts believes that the Democratic People's Republic of Korea continues to engage in exporting such items. There are no official and comprehensive statistics regarding the export of arms by the Democratic People's Republic of Korea prior to

[30] It was noted by some experts that these goods could also be used for civil purposes.

resolutions 1718 (2006) and 1874 (2009). The Democratic People's Republic of Korea withholds statistical information concerning its arms exports and few recipient countries report such imports. Historical data compiled by the United Nations Commodity Trade Statistics Database (CoMTRADE) from those few countries reporting such trade prior to its being banned shows that the Democratic People's Republic of Korea had been exporting arms and related materiel for more than three decades. Reported transactions involving such exports amounted to only some US$ 22.9 million from 2000 to 2009. According to government and other experts, actual arms and missile exports of the Democratic People's Republic of Korea are believed to be US$ 100 million or more per year. It is noteworthy in this regard that the shipment of Democratic People's Republic of Korea-origin arms seized in Bangkok, in December 2009 is reportedly worth some US$ 18 million. It is not yet known what effect the strengthened and expanded provisions of resolution 1874 (2009) have actually had on this trade, and the Panel of Experts will continue to examine this question.

Table 2

Import of Democratic People's Republic of Korea-origin arms by region during 1980-2009



	1980-1989	1990-1999	2000-2009
Africa	0	7 332 005	6 366 989
Americas	13 441	166 332	3 666 042
Asia	53 893	3 701 993	12 810 331
Europe	0	1 172 603	17 244
Oceania	3 036	0	6 141

Source: United Nations Commodity Trade Statistics Database, accessed 1 May 2010 (http://comtrade.un.org).

D. Compliance related to the ban on luxury items

66. Paragraph 8 (a) of resolution 1718 (2006) requires that all Member States shall prevent the direct or indirect supply, sale or transfer to the Democratic People's Republic of Korea of luxury goods through their territories or by their nationals, or using their flag vessels or aircraft, and whether or not originating in their territories.

67. In its national implementation report of 27 July 2009, Italy informed the Committee that it had blocked the shipment to the Democratic People's Republic of Korea of high-end electrical/electronic apparatus for recording and reproducing sound and images.[31] It had also blocked the sale of two luxury yachts to an Austrian company under the suspicion that they were destined for a buyer in the Democratic People's Republic of Korea. The Italian authorities had received information concerning the dubious nature of this yacht transaction from Austrian Government sources. The Austrian authorities subsequently confirmed the suspicions and placed the value of the transaction at 13 million euros. The two boats were seized by Italian authorities on 28 May 2009 and the advance payment was frozen. An Austrian businessman and his accomplice were subsequently charged with a criminal offence.

68. During its recent visit to Vienna, the Panel of Experts was informed by Austrian authorities that the Austrian customs authorities had seized in December 2007 three Steinway concert pianos (with a total value of 162,500 euros)[32] at Vienna International Airport. It was later determined that the Embassy of the Democratic People's Republic of Korea in Vienna had purchased the pianos with a view to exporting them to Pyongyang, Democratic People's Republic of Korea.[18]

69. The Government of Japan also informed the Panel of Experts that on three occasions, in October and December 2008, two Japanese trading companies had exported luxury goods, i.e., 34 pianos, 4 Mercedes-Benz automobiles and cosmetics,[33] to the Democratic People's Republic of Korea through a third country. Legal proceedings have been undertaken against those persons involved.

70. The above-cited examples of successful interdiction and prosecution underscore the importance that must be attached to vigilance and close cooperation between Member States. The successful interdiction of the yacht transaction in Italy is attributable to the close cooperation established between Italy and Austria with regard to notification, sharing of information, and coordination of enforcement. The Panel of Experts notes that, in all of these cases, there was a clear understanding that the goods involved were proscribed luxury items. However, such understanding as to what constitutes luxury goods is not always present, and in many cases, differences and loopholes exist in implementing such controls.

71. Since the adoption of resolution 1718 (2006), questions have been raised by Member States seeking to clarify precisely which items are to be considered covered by the luxury items ban.

72. After considerable discussion of this matter, the Chairman of the Committee, on behalf of the Committee, sent a letter to Member States on 16 April 2007 reiterating a statement made by the previous Chairman of the Committee on 11 January 2007,

[31] This category of goods is contained in the European Union list of luxury goods (see annex A.1).

[32] "High quality musical instruments" is one category of the European Union list of luxury goods (see annex A.1).

[33] All these items are contained in the Japanese list of luxury goods (see annex A.1).

indicating that "any definition of luxury goods as may be necessary for Member States to implement this provision of the resolution would be the national responsibility of individual Member States". He also reaffirmed in the letter that the measure on luxury goods should be implemented in a manner consistent with the objectives of the resolution and that it was not intended that this prohibition would restrict the supply of ordinary goods to the wider population of the country or have a negative humanitarian impact on the Democratic People's Republic of Korea. The letter also referred Member States to national reports submitted pursuant to paragraph 11 of resolution 1718 (2006), as indications of the way this provision was being implemented by various Member States.

73. A review of national implementation reports of Member States indicates that many omit any mention of luxury goods and many countries have yet to adopt controls over such exports to the Democratic People's Republic of Korea. National definitions of luxury goods vary and associated national export controls are being implemented in an uneven manner, which risks undercutting the effectiveness of this measure with regard to the Democratic People's Republic of Korea. One Member State, for example, indicated in its report pursuant to resolution 1718 (2006) that, keeping in view the requirement of a uniform list of such items for necessary action by Member States, it would have to await the finalization of such a list of luxury goods by the Security Council before exercising such controls. These potential gaps in definition and the application are amplified by the fact that few countries exercise any control over the re-export of such goods from third countries.

74. To close these potential gaps, the Panel recommends that Member States should be encouraged to include in their reports pursuant to paragraph 11 of resolution 1718 (2006) and paragraph 22 of resolution 1874 (2009) an indication of the goods considered by them to fall within the category of luxury goods. They should also be invited to inform the Committee of instances where the export of such items to the Democratic People's Republic of Korea has been denied or where a legal action has been instituted after their export. Similarly, to facilitate a more consistent application of the measure placed on the export of luxury goods, all Member States should be encouraged to engage in consultations, as necessary, with any Member States prohibiting such items prior to authorizing the export of essentially identical goods to the Democratic People's Republic of Korea.[34]

75. In its efforts to assist Member States concerning the application of controls on luxury goods as prescribed in resolution 1718 (2006), the Panel of Experts proposes that the following principles and factors should be taken into account:

A. Proposed basic principles

(i) Paragraph 8 (a) (iii) of resolution 1718 (2006) requires that all Member States prevent the direct or indirect supply, sale or transfer to the Democratic People's Republic of Korea of luxury goods;

(ii) The prohibition on the supply of luxury goods to the Democratic People's Republic of Korea should be implemented in a manner consistent with the objectives of resolutions 1718 (2006) and 1874 (2009);

[34] A table of items that have been indicated by Member States in their national reports as luxury goods is contained in annex A.1 to the present report.

(iii) Care should be taken not to restrict the supply of ordinary civilian use goods to the wider population of the Democratic People's Republic of Korea nor have a negative humanitarian impact on the country;

(iv) It should remain in the sovereign discretion and national responsibility of each Member State to determine for itself how best to reflect these objectives in its domestic legislation and regulations. However, Member States should strive to adopt coherent and harmonized policies in this regard, taking into account their own national characteristics as well as the application of such measures by other Member States;

(v) Member States should refer to national reports submitted pursuant to paragraph 11 of resolution 1718 (2006) and paragraph 22 of resolution 1874 (2009) as indications of the way this provision is being implemented by other Member States;

(vi) The prohibition on the supply of luxury goods should be implemented without prejudice to the activities of the diplomatic missions in the Democratic People's Republic of Korea pursuant to paragraph 21 of resolution 1874 (2009).

B. Important factors to be considered in defining and/or designating luxury goods

(i) Whether the goods are affordable by, and intended for the use of, the general population of the Democratic People's Republic of Korea, taking into consideration that their annual per capita income in foreign exchange rate is between US$ 900 and US$ 1,200 in 2009;

(ii) Whether the goods are specially designed, manufactured, or otherwise associated with brands whose names are known for premium goods for a select group of the population;

(iii) Whether the goods have special features, durability or functionality beyond those for which a given category of items are normally made and thus considered as high end in that category;

(iv) Whether the goods are essential for the general population's basic needs, health and well-being with due consideration given to the possible humanitarian impact of the prohibition of such items might have on the general population of the Democratic People's Republic of Korea.

VII. Interdiction

76. Security Council resolution 1874 (2009) significantly strengthened the tools available to Member States to interdict the shipment of proscribed items to and from the Democratic People's Republic of Korea. Paragraphs 11 through 17 of the resolution elaborates an interdiction system that calls upon all Member States to inspect all cargo to and from the Democratic People's Republic of Korea in their territory, and to inspect vessels with the consent of the flag State on the high seas, if the Member State concerned has information that provides reasonable grounds to believe the cargo may contain proscribed items. In cases where the flag State denies permission for such high seas inspections, it must "direct the vessel to proceed to an appropriate and convenient port for the required inspection by the local authorities". And, in cases where an inspection request is denied, the requesting Member State is to report the details immediately to the Security Council. Paragraph 17 of the

resolution specifies also that vessels of the Democratic People's Republic of Korea shall be denied bunkering or other services if there are reasonable grounds to believe that they are carrying any proscribed items until such time as the cargo has been inspected and all proscribed cargo seized and disposed unless such services are necessary for humanitarian purposes.

A. Trade and transportation infrastructure

77. The Democratic People's Republic of Korea relies on a limited number of shipping means and routes to handle its exports and imports. These include a small number of maritime ports, rail and road connections[35] to China and the Russian Federation. The Democratic People's Republic of Korea also has rail links with the Republic of Korea, however, little cargo from the Democratic People's Republic of Korea is now moving in this direction. The country's international air connections are also limited.[36] The only commercial airline in the Democratic People's Republic of Korea, Air Koryo, has a limited heavy cargo carrying capability. Owing to these limited transportation options, the foreign trade of the Democratic People's Republic of Korea is handled by a handful of freight forwarders approved by the Government and is often Customs sealed before it departs the country.

78. There are three railway lines connecting the Democratic People's Republic of Korea to China and one to the Russian Federation. The rail links to China are Sinuiju-Dandong, Namyang-Tumen, and Manpo-Ji'an,[37] while the link to the Russian Federation is Sonbong-Khasan. Road traffic plays a less important role, with road carriage of cargo for export usually accounting for short distances to ports or rail links. There are 11 roads linking the Democratic People's Republic of Korea and China across the Yalu (Aprok) and Tumen (Tuman) rivers; however, owing to mountainous and poor road conditions in the Democratic People's Republic of Korea relatively little cargo is moved along these routes.

79. Foreign maritime trade is channelled through eight ports of the Democratic People's Republic of Korea, and through the port of Dalian, which serves as an important hub for trans-shipment in North-East Asia. Nampo is the largest general cargo port in the Democratic People's Republic of Korea. The city of Nampo itself is an industrial centre located on the west coast some 45 kilometres from Pyongyang. The port relies heavily on stevedoring services and has only limited small container handling capacity. The other west coast ports of the Democratic People's Republic of Korea include Haeju, which services mostly small coastal freighters, and Songrim, which is used for oil imports. The Democratic People's Republic of Korea also has a series of smaller ports on its east coast, including at Chongjin, Rajin, Sonbong, Hungnam and Wonsan.

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[35] See map in annex A.4 to the present report.

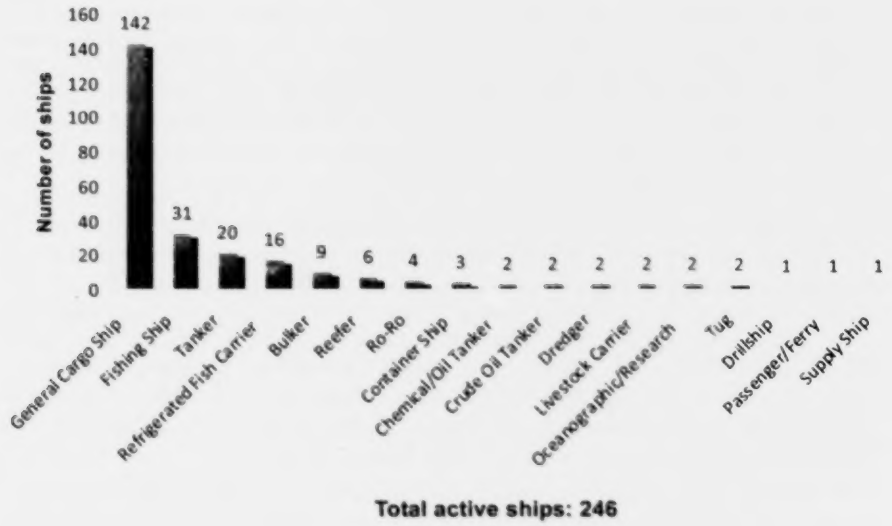
[36] As of 2009, scheduled flights operate only from Pyongyang's Sunan International Airport to Beijing and Shenyang in China, and Vladivostok in Russia, with occasional charters to other destinations. Scheduled services to Moscow, Khabarovsk, Macau, Bangkok, Shenzhen, etc. have been terminated.

[37] The rail lines to China are estimated to account for more than half of the Democratic People's Republic of Korea cross-border cargo movements.

80. The maritime fleet of the Democratic People's Republic of Korea consists of some 142 general cargo ships, 20 tankers, 9 bulk carriers, 3 container ships, and 19 other miscellaneous cargo carrying vessels (see table 3). Much of this fleet is small, old and in poor condition. For this reason as well as generally enhanced vigilance on Democratic People's Republic of Korea-owned and/or -flagged vessels, the Democratic People's Republic of Korea now relies heavily on foreign-owned and -flagged vessels to carry a substantial amount of cargoes related to the Democratic People's Republic of Korea.

Table 3

Major categories of active ships in the Democratic People's Republic of Korea's civilian fleet



Source: World Shipping Register, online database of ships, accessed 28 April 2010 (http://e-ships.net).

Note: Six derelict ships are excluded from these figures. Categories shown are standard World Shipping Register categories.

B. Interdiction actions

81. Since the adoption of these measures, there have been several incidents involving the inspection, the interdiction and the seizure of proscribed items. These inspection/interdiction cases include, inter alia, the *ANL Australia*, which was inspected in the port of Khor Fakkan, the *MSC Rachele*, which was inspected in the Port of Busan, the *Westerhever*, inspected in the Port of Durban, and an Ilyushin Il-76 cargo plane bearing the number AWG 732 at Don Mueang Airport in Bangkok.[38] All four of these cases involved proscribed arms or related military equipment.

[38] A fuller discussion of these cases is contained is paras. 61-64 and annex B.

82. No interdiction of cargo on the high seas has yet been reported to the Committee.[39] However, shortly after the adoption of resolution 1874 (2009), the *Kang Nam 1*, owned by and flying the flag of the Democratic People's Republic of Korea, departed its port of Nampo and began travelling south in international waters parallel to the Chinese coast. When reasonable suspicions surfaced that the vessel was carrying a cargo alleged to contain proscribed weapons, and faced with refusal of the entry into port by countries in South-East Asia, the *Kang Nam 1* reversed its course and returned to port in the Democratic People's Republic of Korea. While no inspection had been conducted, the Security Council measures served to deter the delivery of what was believed to be a proscribed cargo in compliance with the terms of the resolution. The Panel of Experts is also aware of other inspections that have been conducted in the territorial seas of Member States where no proscribed cargoes were found.[40]

83. An analysis of the cases reported to the Committee indicates that interdiction of proscribed exports of the Democratic People's Republic of Korea once they have entered the flow of international commerce is heavily reliant on (a) intelligence; (b) information sharing; (c) the cooperation of ship or airplane owner/operator and/or flag State or State of registry and of shipping and/or forwarding companies; and (d) inspection by relevant authorities in subsequent ports of call. In each of the cases reported to date the proscribed cargo originated in the Democratic People's Republic of Korea. The countries undertaking the inspection of these cargoes were advised in advance of concerns that proscribed cargoes had been secreted on board using false labelling and documentation.

84. Interdiction of proscribed exports destined for the Democratic People's Republic of Korea remains heavily dependent on the establishment of regulatory export control regimes, and effective national monitoring and export and customs controls. This, in turn, has been shown to be most effective when principles of due diligence and "know your customer" rules are applied as part of a "red flag" export licence review process.[41] It should also be recommended that local suppliers of sensitive dual use items be advised to consult with export licensing authorities as early as possible with regard to non-repetitive export transactions that may raise "red flags" because of their novelty or circumstance. In such cases, the transactions should be vetted with export licensing authorities at the earliest possible stages,

[39] However, reports have been published in the media concerning the interdiction on the high seas of vessels of the Democratic People's Republic of Korea in 2006 and 2007, which were reportedly being used to smuggle conventional arms to the Liberation Tigers of Tamil Eelam in Sri Lanka. According to these reports the Sri Lankan Navy intercepted three Democratic People's Republic of Korea vessels carrying such weapons. The Panel of Experts intends to look into the relevance of these cases to possible further use of such maritime smuggling techniques to circumvent the arms export prohibitions contained in the resolutions.

[40] The Indian Coast Guard reportedly inspected the Democratic People's Republic of Korea owned/flagged ship M.V. *Mu San* on or around 5 August 2009 in Indian territorial waters off Little Andaman Island. No proscribed cargo was found; see annex B.

[41] While "red flag" approaches differ from country to country, they rely on a thorough understanding by licensing officers of nuclear/weapons of mass destruction smuggling typologies and the ability to recognize when non-repetitive transactions appear out of the ordinary and pose risks. This, in turn, requires a thorough examination of all factors in the case, including information with regard to the consignee and the appropriateness of the export for his requirements. Special attention should be paid to factors showing that the recipient is a shell company or a middleman not regularly and normally engaged in business dealings with such equipment and commodities.

such as receipt of first inquiries as to price, specifications and availability from previously unknown overseas customers. Such special attention is now being devoted by a growing number of countries to exports of sensitive dual-use items related to the nuclear industry or having possible application to the production of weapons of mass destruction and their delivery means. Intelligence gathering and information sharing is also vital for such enhanced national controls to be most effective. The accomplishments and goals of such enhanced export control measures were stressed at the January 2010 Asian Export Control Seminar in Tokyo, which was attended by Panel members. Several officials participating in the seminar indicated that their Governments had already adopted such enhanced and sophisticated export and customs control systems and technologies. These preventive factors may have reduced interdiction cases involving such sensitive dual-use items after the goods have departed the national jurisdiction and may well help explain the scarceness of reported cases of such interdiction.[42]

85. The interdiction of luxury exports to the Democratic People's Republic of Korea appears, however, to continue to lag owing to a lack of uniform nationally administered controls in such cases. Several countries have reported an inability to control or regulate such exports in the absence of clearer guidance as to what constitutes luxury items. However, as explained in the yacht case in paragraph 67 of this report,[43] close cooperation between national authorities can effectively curtail such shipments, at least for commonly recognized luxury items.

86. The Panel of Experts also notes several other factors that may hamper successful interdiction of proscribed cargoes of the Democratic People's Republic of Korea. These vulnerabilities include, inter alia, the lack of uniform documentation and documentation controls with regard to maritime exports, and the lack of suitable controls over movement of cargo by air transport. These issues continue to be an area of inquiry of the Panel's work.

87. The international maritime cargo industry is replete with varying documentation procedures and systems. The documentation that accompanies maritime shipments varies markedly from one freight forwarder to another and between different shipping companies and port handlers. Customs-related documentation requirements also vary from port to port and as to whether cargoes are landed for entry or for trans-shipment. Another complicating factor is that all such maritime-related documents may be replaced, supplemented or altered at almost any time during the course of the movement of the covered cargo. This maritime document morass opens the process to potential significant abuse.

88. The volume of international maritime traffic has greatly expanded in size over the past three decades as containerization has replaced crate shipping. The use of container handling trans-shipment hubs, particularly in East Asia and South-East Asia, has also increased dramatically in recent years. Trans-shipment has become an extremely important and competitive business for these ports. Business is attracted by simplifying trans-shipment procedures, reducing land holding and trans-shipment times, and holding down the costs shipping lines may incur for these services. Inspection of trans-shipment cargoes slows this process down, and, in their efforts to become more important hubs of maritime transportation, ports are reluctant to

[42] See para. 53.

[43] See also annex B.

undertake such cargo inspections unless they are presented with very strong evidence that important contraband cargo is involved. Taken together with the loose documentation requirements described above, these factors provide significant opportunities to mask the nature, origin and ultimate destination of certain cargoes for the purpose of circumventing sanctions and other control measures. These factors were emphasized in some detail to Panel members during their discussions at the Asian Export Control Seminar and their recent visit to several East Asian and South-East Asian ports.

89. The successful interdiction cases reported to the Committee to date indicate that the Democratic People's Republic of Korea has taken advantage of many of these vulnerabilities by using intermediaries and shell companies, mislabelling and documentation fraud in its attempts to circumvent the Security Council measures. The Panel of Experts recommends that further steps be taken to address these shipping vulnerabilities.

90. Given the Democratic People's Republic of Korea's demonstrated use of false descriptions and fraudulent documentation, special precautions should be taken to verify cargoes when exported from the Democratic People's Republic of Korea, whether or not under Democratic People's Republic of Korea Customs seals, prior to placing them on board ship for onward shipment. The Panel of Experts also recommends that extra vigilance be exercised in accordance with local norms at the first overseas maritime port handling such Democratic People's Republic of Korea shipments or transhipments with regard to containers carrying cargo originating from the Democratic People's Republic of Korea. Trans-shipment ports often are not provided with information beyond the previous and next port of call. The Panel of Experts recommends that further study be undertaken to determine what steps might be taken, without overburdening international maritime commerce, to assure that onward trans-shipment ports are aware of the cargo's Democratic People's Republic of Korea origin so that they can also apply extra vigilance.

91. Air cargo poses other issues and vulnerabilities. Modern aircraft have increased distance and payload capabilities, and can link the Democratic People's Republic of Korea directly with countries in most of the regions in the world. Aircraft operators are able to vary flight plans and pick and choose between refuelling alternatives. Such air traffic may not be susceptible to inspection at airports on route, and in certain cases, where relevant information provides reasonable grounds that suspect cargoes are on board, may call for the dangerous practice of forced landings for inspection purposes. The Panel of Experts recommends that consideration be given by countries over whose territory such aircraft may fly, stop or transit, that efforts be undertaken in those cases to closely monitor air traffic to and from Sunan International Airport and other Democratic People's Republic of Korea airports, and that cargoes to and from the Democratic People's Republic of Korea be declared before overflight clearance is provided.

92. Several Governments have requested guidelines or information on the disposal of proscribed items after seizure. Government officials with whom the Panel of Experts had consultations frequently mentioned that the lack of relevant guidelines was causing enormous inconvenience to Member States and the parties concerned. It was also mentioned that disposal can entail great financial and other burdens for the Member State seizing items. Appropriate remedies should be developed to lessen such burdens. The Panel of Experts recommends that guidelines be prepared by the

Committee with the assistance of the Panel of Experts and disseminated to interested Member States. In any event, the Panel should be given an opportunity to inspect and establish documentary evidence, including a photographic record of the items and documentations, before the disposal occurs.

VIII. Financial measures

93. Effective implementation of the measures contained in resolutions 1718 (2006) and 1874 (2009) entails careful monitoring and control of all financial dealings and transactions involving the Democratic People's Republic of Korea. Paragraph 18 of resolution 1874 (2009) calls upon Member States specifically:

> "to prevent the provision of financial services or the transfer to, through or from their territory, or to or by their nationals or entities organized under their laws (including branches abroad), or persons or financial institutions in their territory, of any financial or other assets or resources that could contribute to the Democratic People's Republic of Korea's nuclear-related, ballistic missile-related, or other weapons of mass destruction-related programmes or activities, including by freezing any financial or other assets or resources on their territories or that hereafter come within their territories, or that are subject to their jurisdiction or that hereafter become subject to their jurisdiction, that are associated with such programmes or activities and applying enhanced monitoring to prevent all such transactions in accordance with their national authorities and legislation".

94. Paragraph 19 of resolution 1874 (2009) also calls upon all Member States and relevant international financial institutions "not to enter into new commitments for grants, financial assistance, or concessional loans to the Democratic People's Republic of Korea, except for humanitarian and developmental purposes directly addressing the needs of the civilian population, or the promotion of denuclearization", and "to exercise enhanced vigilance with a view to reducing current commitments". In addition, paragraph 20 of the resolution calls upon all Member States "not to provide public financial support for trade with the Democratic People's Republic of Korea (including the granting of export credits, guarantees or insurance to their nationals or entities involved in such trade) where such financial support could contribute to the Democratic People's Republic of Korea's nuclear-related or ballistic missile-related or other weapons of mass destruction-related programmes or activities".

A. Transactions

95. A review of the reports submitted by Member States pursuant to paragraph 11 of resolution 1718 (2006) and paragraph 22 of resolution 1874 (2009) provides no indications concerning any funds or transactions that have been frozen or blocked pursuant to these resolutions.[44] However, the Panel noted reports from Italy and Austria indicating actions they took to block transactions related to the attempted sale of proscribed luxury items to the Democratic People's Republic of Korea.[45]

96. The Financial Action Task Force (FATF) has long determined that the loopholes exploited for money laundering and financing of terrorism can be used for weapons of mass destruction proliferation financing.[46] In February 2010, FATF reiterated its finding that the Democratic People's Republic of Korea remains a country of concern for anti-money-laundering and combating the financing of terrorism (AML/CFT). The FATF statement indicated that:

> "The Democratic People's Republic of Korea has not committed to the AML/CFT international standards, nor has it responded to the FATF's request for engagement on these issues. Democratic People's Republic of Korea's lack of a comprehensive AML/CFT regime poses a risk to the international financial system. Democratic People's Republic of Korea should work with the FATF to develop a viable AML/CFT regime in line with international standards".[47]

[44] The Panel is aware from FATF reports that Japan has frozen US$ 0.9 million in deposits in the name of entities related to weapons of mass destruction and missile programmes of the Democratic People's Republic of Korea.

[45] See para. 67 and annex B.

[46] Member States would find helpful the Proliferation Financing Report issued by FATF on 18 June 2008 and the typology examples contained therein.

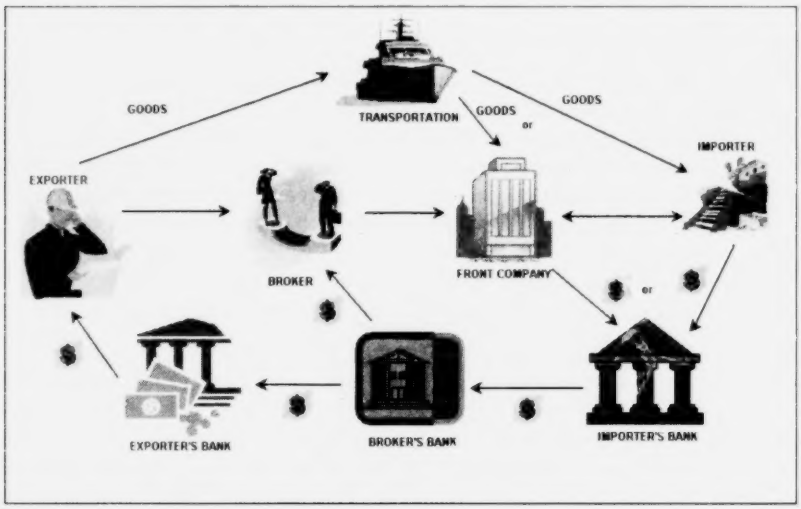
[47] FATF Public Statement issued on 18 February 2010.

Table 4
Typology example

Overview of a foreign trade pattern abused for proliferation

An importer may arrange for the shipment of goods directly with an exporter or could use a front company, a broker or both a front company and a broker.

Similarly, payments may be settled with a manufacturer's bank either directly; using a front company; or using a broker; or the manufacturer may arrange for payment using Letter of Credit or other payment method.



Source: Canada.
Note: Republished here with permission of the Financial Action Task Force.

97. The Democratic People's Republic of Korea employs a broad range of techniques to mask its transactions, including the use of overseas entities, shell companies, informal transfer mechanisms, cash couriers and barter arrangements. However, it must still, in most cases, rely on access to the international financial system to complete its financial operations[48] (see table 4). Therefore, in structuring these transactions, attempts are made to mix illicit transactions with otherwise legitimate business activities in such a way as to hide the illicit activity. This may involve the use of a combination of overseas entities and shell companies. Overseas business entities owned and/or controlled by the Democratic People's Republic of Korea and accounts maintained overseas by these firms are often used for or on

[48] As FATF has noted, "... it is important for proliferators to have access to the international financial system under most circumstances. Purchases must appear to be legitimate if proliferators are to elude suspicions and they often exploit commercial companies with legitimate businesses" (see FATF Proliferation Financing Report, 18 June 2008).

behalf of the Democratic People's Republic of Korea parent entity. In the recent case of arms of the Democratic People's Republic of Korea interdicted in Thailand, for example, the Democratic People's Republic of Korea used shell companies set up in Ukraine, Hong Kong Special Administrative region of China, and New Zealand to handle the financial arrangements and the air carriage of the arms that were falsely labelled as oil boring equipment destined for the Islamic Republic of Iran.

98. A general veil of secrecy obscures the financial activities of the Democratic People's Republic of Korea. A handful of banks in the Democratic People's Republic of Korea have been authorized by political and military leadership to engage in limited foreign operations, usually in conjunction with approved foreign trade, or the receipt of foreign aid or international investments. Several banks in the Democratic People's Republic of Korea maintain overseas correspondent accounts for this purpose.[49] Action has already been taken by the Security Council to designate the Tanchon Commercial Bank owing to its activities as a principal financial entity for handling Democratic People's Republic of Korea sales of conventional arms, ballistic missiles and goods related to the assembly and manufacture of such weapons. However, certain other banks in the country have begun to substitute for Tanchon Commercial Bank in handling such transactions.

99. The Democratic People's Republic of Korea relies heavily on overseas branches of its banks and on their correspondent accounts to handle surreptitious transactions. This scenario is exemplified by the activities of Korea Kwangson Banking Corporation (KKBC), which continues to maintain overseas branches. It has repeatedly been involved in transactions for and on behalf of the entities designated by the Committee, including Tanchon Commercial Bank,[50] the Korea Mining Development Trading Corporation (KOMID), Korea Hyoksin Trading Corporation and Korea Ryonbong General Corporation. According to information provided to the Panel of Experts, KKBC has handled several transactions involving millions of dollars directly related to transactions conducted between KOMID and Myanmar.[51]

100. Information provided to the Panel of Experts also indicates that the Amroggang Development Bank in the Democratic People's Republic of Korea, an entity closely associated with Tanchon Commercial Bank, was also implicated in routing proscribed transactions through correspondent accounts on behalf of KOMID. It was also reported to be involved in handling financial transactions related to ballistic missile transactions between KOMID and Shahid Hemmat Industrial Group (SHIG), an Iranian entity.[52]

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[49] According to information provided by banks to the 2010 Bankers' Almanac (as at 12 April 2010), the Pyongyang-based Korea Kwangson Banking Corporation (KKBC) maintains correspondent accounts with the Bank of China (Beijing, China), China Construction Bank Corporation (Dandong, China), and Far Eastern Commercial Bank (Khabarovsk, Russian Federation). Amroggang Bank retains correspondent accounts with Commerzbank (Frankfurt, Germany) and Far Eastern Commercial Bank (Khabarovsk, Russian Federation). A more complete list of Democratic People's Republic of Korea banks and reported correspondent accounts is included in annex A.3 to the present report.

[50] The Tanchon Commercial Bank is the financial arm of KOMID.

[51] See United States Treasury Department Designation Statement contained in Document TG 260 dated 11 August 2009.

[52] See United States Treasury Department Designation Statement contained in Document TG 330 dated 23 October 2009.

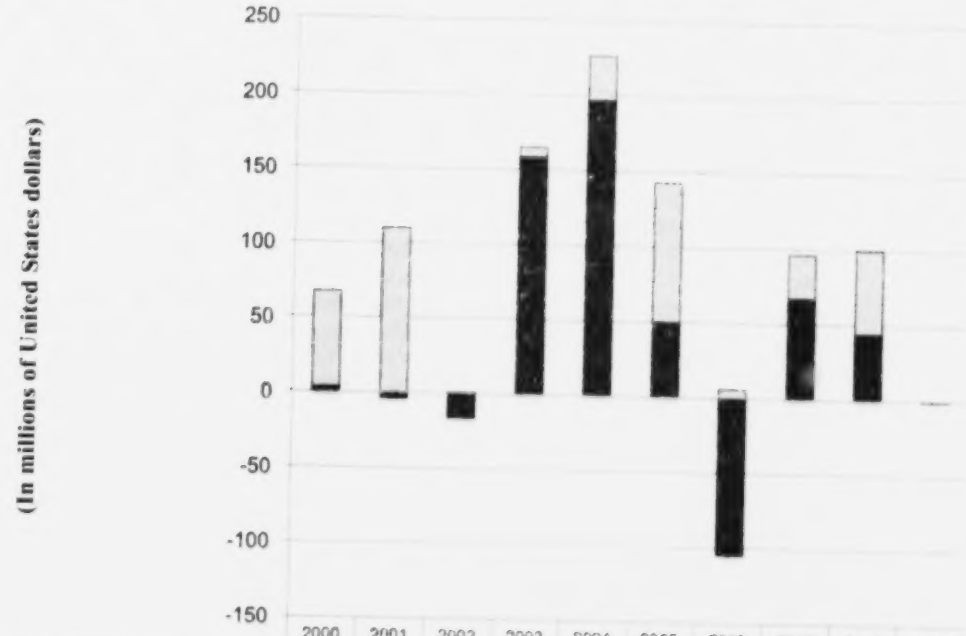
B. Foreign investment in the Democratic People's Republic of Korea[53]

101. The Panel of Experts, with reference to paragraphs 18 and 19 of resolution 1874 (2009), has also begun looking into recent reports concerning new or ongoing investments in the Democratic People's Republic of Korea. As indicated previously, the Democratic People's Republic of Korea is again actively seeking direct foreign investment to bolster its sagging economy. Beginning in late 2009, its leadership began again to actively promote investment opportunities in such new foreign investments. However, owing to lack of interest and/or reserved evaluation by major potential investors in the Republic of Korea, Japan and European Union countries, concerning the validity of the country's economic policy, this investment has been slow in materializing. As a result, the Democratic People's Republic of Korea has increasingly turned to China for such investment, with particular emphasis on mineral extraction (particularly coal and iron ore). It has also sought to benefit from the growing north-eastern China revitalization programme, which projects extensive investment in upgrading regional transportation and other infrastructure.

102. The Democratic People's Republic of Korea has also announced its intention to open up 12 special zones for foreign investors. With new investment potentially flowing into these areas, the Panel of Experts believes that special attention and enhanced vigilance should be placed by the Committee and Member States on such activities to assure that such investments, to the extent that they may involve "new commitments for grants, financial assistance, or concessional loans to the Democratic People's Republic of Korea", are well vetted and "directly addressing the needs of the civilian population". They should also assure that all investments emanating from their territory or nationals not contribute to the nuclear-related, other weapons of mass destruction-related, or ballistic missile-related programmes of the Democratic People's Republic of Korea.

[53] See table 5.

Table 5
Foreign and Inter-Korean Direct Investment Flow in the Democratic People's Republic of Korea, 2000-2009



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
TOTAL	66.8	105.5	-15.9	164.9	226.4	142.5	-99.1	96.4	99.9	
INTER-KOREAN DIRECT INVESTMENT	63.4	109.3	0.5	6.7	29.5	92.3	5.5	29.4	55.9	0.1
FOREIGN DIRECT INVESTMENT	3.4	-3.8	-16.4	158.2	196.9	50.2	-104.6	67	44	

Source: For foreign direct investments statistics, United Nations Conference on Trade and Development, FDI database, accessed April 2010 (http://stats.unctad.org/FDI/); for inter-Korean direct investment, Ministry of Unification of the Republic of Korea (inter-Korean direct investment figures show amount approved by the Government of the Republic of Korea, not actual investment, and does not include investment in Kaesong Industrial Complex).

Note: Foreign direct investment flow and total data for 2009 not yet available.

C. Unintended impact on diplomatic missions

103. The Panel of Experts and the Committee have received information from certain Member States that their missions in the Democratic People's Republic of Korea are facing operational difficulties, which they attribute to the lack of access to required financial and other services and supplies from abroad. This has been attributed, in part, to the reluctance of a number of foreign private sector financial and other entities to engage with individuals or entities located in the Democratic People's Republic of Korea. The Committee, with the support of the Panel of

Experts, has actively begun to look into the issue with a view to determining what steps might be taken to alleviate such unintended difficulties. The first step in this process is determining the scope of difficulties and which financial institutions and suppliers might be approached to re-establish controlled access for diplomatic missions that meet their concerns without jeopardizing the application and integrity of the Security Council measures. The Panel of Experts has proposed inputs to the Chair of the Committee to help elucidate this issue.

IX. Designation of goods, entities and individuals

104. Security Council resolution 1718 (2006), under paragraph 8 (d), directs all Member States to freeze the funds, other financial assets and economic resources that are owned or controlled by the persons or entities designated by the Committee or by the Council as being engaged in the Democratic People's Republic of Korea's nuclear-related, other existing weapons of mass destruction-related and ballistic missile-related programmes. It also requires, under paragraph 8 (e), all Member States to take the necessary steps to prevent the entry into or transit through their territories of the persons designated by the Committee or the Council as being responsible for such activities. Furthermore, the Council and the Committee are expected under paragraph 8 (a) (ii) of resolution 1718 (2006) to designate additional items, materials, equipment, goods and technology that could contribute to the Democratic People's Republic of Korea's nuclear-related, other weapons of mass destruction-related and ballistic missile-related programmes. These designation systems, constituting "targeted sanctions", are intended to maximize the effect of sanctions by focusing coercive pressure on those responsible for wrongdoing or restricting the measures to selective products or activities, while minimizing unintended negative impacts on innocent and vulnerable populations.[54]

A. Designation of goods

105. On 24 April 2009, the Committee decided, in response to the Security Council presidential statement of 13 April 2009 (S/PRST/2009/7), to revise the ballistic missile-related list subject to paragraph 8 (a), (b) and (c) of resolution 1718 (2006) and to include the items contained in S/2009/205. The Committee also decided on 16 July 2009 to add two additional ballistic missile-related items for the purpose of paragraph 8 (a) (ii) of resolution 1718 (2006) as contained in S/2009/364. Further consideration might now be given by the Committee to adopting an updated list taking into account the experience of other missile control regimes.

106. Concerning nuclear-related items, the Security Council decided in resolution 1874 (2009), paragraph 23, that measures set out in paragraphs 8 (a), (b) and (c) of resolution 1718 (2006) apply to the items listed in the updated documents of INFCIRC/254/Rev.9/Part 1 and INFCIRC/254/Rev.7/Part 2.

107. With regard to non-nuclear weapons of mass destruction-related items, there have been no additional designations. The control list remains essentially the same

[54] Member States should be invited to regularly check with the website of the 1718 Committee for newly designated items, entities and individuals (see www.un.org/sc/committees/1718/index.shtml).

as that referred to in resolution 1718 (2006), except for the replacement of the original list for chemical and biological programmes list contained in S/2006/816 with a new list contained in S/2006/853 and Corr.1.

108. The Panel's assessment and recommendations for possible additions to these lists is ongoing. The Panel of Experts notes in this regard that the relevant lists of proscribed items are contained in different documents, which may cause some difficulties to Member States in their national implementation of the mandated measures. It may be advisable to create, for presentational purposes, a more user-friendly consolidated list for each category of proscribed items.

109. While resolution 1874 (2009) has expanded the scope of the arms embargo with regard to the Democratic People's Republic of Korea to include all arms and related materiel, it makes an exception for small arms and light weapons and their related materiel as far as their supply to the Democratic People's Republic of Korea is concerned. At the same time, the resolution calls upon Member States to exercise vigilance over the supply of such items to the Democratic People's Republic of Korea and directs that they notify the Committee when they supply such items to the Democratic People's Republic of Korea. There has been no notification communicated to the Committee to date, nor is there any national implementation report, that elaborates on the measures related to small arms and light weapons.

110. As with the case of luxury goods, a lack of definition or guidance regarding what constitutes small arms and light weapons not only makes it difficult for Member States to implement the relevant paragraph of the Security Council resolutions, but it may also result in uneven application of these measures. With this in mind, the Panel of Experts has worked in assisting the Committee preparing guidance on small arms and light weapons. Although this work is not yet complete, the Panel of Experts continues to examine relevant international lists and documents, including, inter alia, the report of the Open-ended Working Group to Negotiate an International Instrument to Enable States to Identify and Trace, in a Timely and Reliable Manner, Illicit Small Arms and Light Weapons, as well as the reports of the Panel of Governmental Experts on Small Arms.

B. Designation of entities and individuals

111. On 24 April 2009, the Committee agreed on the designation of three entities for the purpose of implementing paragraph 8 (d) of resolution 1718 (2006). It further decided on 16 July to designate five entities[55] for the purpose of paragraph 8 (d) and five individuals[56] for the purpose of paragraph 8 (d) and (e).

112. The designation of such a small number of entities and individuals understates the number of known entities and individuals engaged in proscribed activities. These few designations are inadequate to the task of effectively inhibiting key

[55] Designated entities: Korea Mining Development Trading Corporation; Korea Ryonbong General Corporation and Tanchon Commercial Bank; Namchongang Trading Corporation; Hong Kong Electronics; Korea Hyoksin Trading Corporation; General Bureau of Atomic Energy (GBAE); and Korean Tangun Trading Corporation.

[56] Designated individuals: Yun Ho-jin, Director of Namchongang Trading Corporation; Ri Je-son, Director of the GBAE; Hwang Sok-hwa, Director in the GBAE; Ri Hong-sop, former Director of the Yongbyon Nuclear Research Center; and Han Yu-ro, Director of Korea Ryongaksan General Trading Corporation.

parties of the Democratic People's Republic of Korea from engaging in proscribed activities, and no account has yet been made to deal with those substituting for or acting for or on behalf of these entities and individuals. The Panel of Experts recommends that all Member States be invited to provide to the Committee for its consideration the names of entities and individuals who are believed to be engaged in proscribed activities, particularly those that have been implicated in compliance-related cases reported to the Committee.

113. The Panel of Experts also notes that a number of Member States have designated additional parties of the Democratic People's Republic of Korea and have imposed autonomous measures to re-enforce or supplement those contained in resolutions 1718 (2006) and 1874 (2009). As of the writing of this report, Japan had designated 12 entities and 1 individual that have not been designated by the Committee,[57] while the United States had done so with regard to 13 entities and 4 individuals.[58] Similarly, the European Union had listed 4 entities and bodies and 13 individuals in addition to those designated by the Committee.[59] Australia had autonomously designated 9 entities and 1 individual.[60] A large number of designated entities and individuals overlap in these autonomous lists.[61] They should be considered as potential candidates for designation by the Committee.

114. Consideration should also be given to making sure that those entities and individuals that are already designated are not able to avoid the Security Council measures through the use of alias. One way of assuring it is, in the case of individuals, to include as much identifying information as possible in the designation list, such as their birth date and passport number. This would also help avoid a case of mistaken identity. Identity determination may sometimes be more difficult in the case of entities. In fact, the Committee-designated entities already include those with several different company names. The Panel of Experts recommends that all Member States be invited to provide as much information as possible to assist in the identification of the designated entities and individuals.

X. Conclusion: effectiveness of the Security Council measures

115. Although opinions differ whether the measures imposed by Security Council resolutions 1718 (2006) and 1874 (2009) will lead the Democratic People's Republic of Korea to return to the six-party talks, and to "abandon all nuclear weapons and existing nuclear programmes", most interlocutors with whom the Panel spoke agreed that sanctions on the Democratic People's Republic of Korea are

[57] See S/AC.49/2006/10. In terms of a travel ban, Japan announced in October 2006 a total ban on the entry of citizens of the Democratic People's Republic of Korea into Japan, except in special cases, as well as a total ban on the entry of Democratic People's Republic of Korea vessels into Japanese ports. Similarly, the Republic of Korea controls the entry of Democratic People's Republic of Korea nationals into its territory through the review of applications for a visit permit. Furthermore, the Republic of Korea does not allow Democratic People's Republic of Korea vessels to sail in its territorial waters, except for those granted permission (S/AC.49/2006/8).

[58] United States Department of Treasury, Specially Designated Nationals (SDN) List (non-proliferation of weapons of mass destruction), as of 15 April 2010.

[59] Council Regulation (EU) No. 1283/2009 of 22 December 2009, annex V.

[60] See Australian Government, Department of Foreign Affairs and Trade (www.dfat.gov.au/un/unsc_sanctions/north-korea-bilat.html).

[61] See annex A.2.

having the intended impact. The many statements by the Government officials of the Democratic People's Republic of Korea demanding the lifting of sanctions as a condition for their returning to the six-party talks attests to the impact that the Security Council measures have been having on it. This is attributed to the steps taken by many Member States to implement and enforce the Security Council measures, and to exercise enhanced vigilance and due diligence to prevent, inhibit and deter the activities proscribed by the resolutions. The adoption and enforcement of these measures, in turn, reflects a broad international commitment to maintaining the integrity and credibility of the international non-proliferation regime.

116. The Security Council measures imposed pursuant to resolutions 1718 (2006) and 1874 (2009) are directed specifically at activities of the Democratic People's Republic of Korea of concern, including its nuclear-related, other weapons of mass destruction-related and ballistic missile-related programmes. They cover a specific range of exports and/or imports, principally arms and military equipment; nuclear-related, other weapons of mass destruction-related and ballistic missile-related items and technology; and luxury goods. Travel ban and asset freeze provisions of the resolutions apply only to a small number of designated individuals and entities of the Democratic People's Republic of Korea engaged in these activities or acting for or on their behalf.

117. These measures have significantly constrained the ability of the Democratic People's Republic of Korea to market and export arms and other proscribed nuclear and ballistic missile items that had previously provided a significant source of the country's foreign earnings. And, the international condemnation of the Democratic Republic of Korea's disregard for its nuclear and ballistic missile non-proliferation-related obligations, and its known involvement in illicit trade activities, has caused several countries to supplement these Security Council measures with their own national measures. In addition, many private sector business and financial entities have, themselves, deferred or halted their own dealings with the Democratic People's Republic of Korea.

118. While acknowledging the substantial impact that the Security Council measures have had on the Democratic People's Republic of Korea and its leaders, it would be difficult to ascribe to these Security Council measures the severe economic circumstances impacting the Democratic People's Republic of Korea's general population. The Democratic People's Republic of Korea has lived under various social and economic strains and difficulties for several decades, dependent on foreign aid, direct foreign investment, long-term loan and illicit trade activities to fill its trade deficit. The Democratic People's Republic of Korea's own economic policies, including its recent domestic currency reform, have contributed markedly to the downturn in its domestic economic activities. These trends have accelerated greater efforts on the part of the national leadership to solicit and obtain foreign investment and assistance. However, it is unlikely that the Democratic People's Republic of Korea will achieve its economic goals without complying with Security Council resolutions and providing a more conducive environment for such investment.

119. There are no indications as yet that the Democratic People's Republic of Korea is ready to move forward on denuclearization or to step back from its other existing weapons of mass destruction and ballistic missile development programmes. The Democratic People's Republic of Korea has continued to engage in activities

proscribed by the relevant Security Council resolutions and has continued to boycott the six-party talks. It continues to market and export its nuclear and ballistic technology to certain other States. The Panel has also become aware of several non-compliance issues related to the Democratic People's Republic of Korea's exports of arms and military equipment and importations of proscribed luxury items.

120. While the Democratic People's Republic of Korea continues to verbally dismiss the Security Council measures, other participants are now expressing cautious optimism that these talks may resume soon. In this regard, exploratory contacts have already taken place between officials of the Democratic People's Republic of Korea and representatives of the other six-party participants. Several of these participants have indicated that relaxation or removal of the sanctions cannot be contemplated as a precondition to recommencing the six-party talks, and that the Security Council measures can only be eased on the basis of irreversible steps being taken by the Democratic People's Republic of Korea towards carrying out its previous six-party talks commitments.

121. But there continue to be serious reasons to doubt that such progress is being made. On 4 July 2009, the Democratic People's Republic of Korea test-fired seven ballistic missiles off its eastern coast in violation of Security Council resolutions, including 1718 (2006) and 1874 (2009). And, on 12 October, it launched a series of five short-range ballistic missiles, also in violation of the resolutions. In addition, the Government announced in a letter to the Security Council dated 3 September 2009 that "experimental uranium enrichment has successfully been conducted to enter into the completion phase" and "reprocessing of spent fuel rods is at its final phase and extracted plutonium is being weaponized". In late January 2010, the Korean People's Army of the Democratic People's Republic of Korea again fired live artillery rounds towards islands off the west coast of the Republic of Korea. And, most recently on 21 April 2010, the Korean Central News Agency, the official government news agency, disseminated a Foreign Ministry memorandum that announced that the Democratic People's Republic of Korea would manufacture nuclear weapons as much as it deems necessary, and claimed the status of a nuclear-weapon State. The Panel of Experts believes that this announcement underscores the importance of the implementation of resolutions 1718 (2006) and 1874 (2009) to the fullest possible extent and calls for enhanced vigilance by all States of the international community.

XI. Recommendations

122. The mandate provided by the Security Council to the Panel of Experts in resolution 1874 (2009) directs that the Panel "make recommendations on actions the Council, or the Committee or Member States, may consider to improve implementation of the measures imposed in resolution 1718 (2006) and in this resolution". Based on the work of the Panel over the last eight months, and its findings and conclusions reflected in this report, the Panel of Experts presents the following recommendations to the Security Council for its consideration.

Monitoring and oversight

Recommendation 1

The Panel of Experts believes that the Committee has an extremely important role to play in overseeing and monitoring the implementation and enforcement of the measures contained in resolutions 1718 (2006) and 1874 (2009). It is essential that the Committee have the appropriate methods and tools to exercise this important oversight responsibility and that it remain fully informed concerning the implementation and the enforcement of the relevant Security Council measures. These tools should include (a) continuing reporting by all Member States to the Committee on their implementation of resolutions 1718 (2006) and 1874 (2009) to assure that the Committee remains informed of any relevant new factors or developments; and (b) a panel of experts that can assist in evaluating such information and that can proactively conduct independent inquiries to assure that relevant information concerning compliance with the Security Council measures is available to the Committee.

Recommendation 2

The importance of the cooperation of all States, relevant United Nations bodies and other interested parties with regard to the implementation of resolutions 1718 (2006) and 1874 (2009), in particular the sharing of information at their disposal, cannot be overemphasized. The Committee and the Panel of Experts should be provided with such cooperation to the fullest possible extent and, to this end, the Committee is advised to communicate with relevant States, United Nations bodies and other parties to seek such cooperation as it deems necessary.

Recommendation 3

The Committee should provide special attention to soliciting national implementation reports from all countries that have not yet provided such reports, and reminders concerning such reports should be communicated on a regular basis. The Panel of Experts should be assigned special tasks to enter into a dialogue with, or provide assistance to, non-reporting/late-reporting Member States with respect to the completion and submission of national implementation reports. In this regard, the Panel of Experts has previously suggested that the Chair of the Committee send a note verbale reiterating the importance attached to these national reports and indicating the availability of assistance from the Committee and the Panel of Experts.

Recommendation 4

The national implementation reports so far submitted vary considerably in detail and format, making it difficult to evaluate them adequately without first obtaining additional information. The Panel of Experts should be asked to engage with such countries in obtaining the required information. It may be useful also to provide a guideline template as an optional checklist to Member States in order to assure the provision of information required for such an assessment.

Recommendation 5

The Committee should clarify that compliance-related reports include all relevant information concerning any actions taken with regard to the prevention of illicit exports from their territory and the interdiction of suspect items that have already entered international maritime or aviation commerce, including, inter alia, directing vessels to port, the inspection of vessels, the inspection of cargo, the seizure and disposal of items, and the denial of services.

Recommendation 6

Effective implementation of the Security Council measures should take into consideration the impact such measures may unintentionally have on the overall humanitarian situation prevailing in the Democratic People's Republic of Korea.

Interdiction

Recommendation 7

Owing to the continuing importation and exportation of proscribed items by the Democratic People's Republic of Korea in contravention of Security Council resolutions 1718 (2006) and 1874 (2009), Member States should be encouraged to take further steps to enhance their ability to interdict proscribed exports of the Democratic People's Republic of Korea. As the Democratic People's Republic of Korea engages in evasive practices, including the false labelling of cargoes, close attention should be paid to all cargoes originating in the Democratic People's Republic of Korea whether or not they bear Customs labels or seals of the Democratic People's Republic of Korea. Extra vigilance should be exercised in accordance with local norms at the first overseas maritime port handling such shipments or trans-shipments from the Democratic People's Republic of Korea with regard to containers carrying cargo originating from the Democratic People's Republic of Korea. Trans-shipment ports often are not provided with information beyond the previous and next port of call. The Panel of Experts recommends that further study be undertaken to determine what steps might be taken, without overburdening international maritime commerce, to assure that onward trans-shipment ports are aware of the cargo's Democratic People's Republic of Korea origin so that they can also apply extra vigilance. The Committee, Member States and the Panel of Experts should assist in providing outreach opportunities for the dissemination of best practices. They should also provide technical and other assistance as requested.

Recommendation 8

Modern aircraft have increased distance and payload capabilities, and can link the Democratic People's Republic of Korea directly with countries in most of the regions in the world. Such transport poses unique opportunities to circumvent the sanctions measures. Enhanced Customs vigilance should be applied at airports and consideration should be given by countries over whose territory such aircraft may fly, stop or transit to closely monitor air traffic to and from Sunan International Airport and other country airports, and to require that cargoes to and from the Democratic People's Republic of Korea be declared before overflight clearance is provided.

Recommendation 9

The Panel of Experts has expressed concern that certain countries, such as the Syrian Arab Republic, the Islamic Republic of Iran and Myanmar, continue to be associated with the Democratic People's Republic of Korea in regard to proscribed activities and believes that special attention should be taken by all Member States to inhibit such activities. Further study should be conducted by the Panel of Experts, and by the Committee, for a more thorough understanding of such activities. Cooperation with other relevant international organizations, including the International Atomic Energy Agency, should be sought in this regard.

Recommendation 10

Interdiction of proscribed exports destined for the Democratic People's Republic of Korea remains heavily dependent on the establishment of regulatory export control regimes, and effective national monitoring and export and customs controls. Local suppliers of sensitive dual-use items should be advised to consult with export licensing authorities as early as possible with regard to non-repetitive export transactions that may raise "red flags" because of their novelty or circumstance.

Recommendation 11

All Member States are called upon to inspect, in accordance with relevant international law and authorities and legislation, all cargoes if there are reasonable grounds to believe that the cargoes contain proscribed items. Due consideration should be given to a request for inspection and/or interdiction from other Member States when made with relevant information. The Panel of Experts recommends that the Committee and the Panel examine cases where reasonable suspicions existed and no inspections have been conducted.

Disposal of goods

Recommendation 12

Several government officials have requested guidelines or information on the disposal of the seized proscribed items. It was frequently mentioned that the lack of relevant guidelines caused enormous inconvenience to the Member States and the parties concerned. The Panel of Experts recommends that such guidelines be prepared by the Committee with the assistance of the Panel of Experts and disseminated to all interested Member States.

Luxury goods

Recommendation 13

Member States should be encouraged to include in their national implementation reports an indication of the goods considered by them to fall within the category of luxury goods. They should also be invited to inform the Committee of instances where the export of such items to the Democratic People's Republic of Korea has been denied or where a legal action has been instituted after their export. To facilitate a more consistent application of the measure placed on the export of

luxury goods, all Member States should be encouraged to engage in consultations, as necessary, with any Member States prohibiting such items prior to authorizing the export of essentially identical goods to the Democratic People's Republic of Korea.

Recommendation 14

The Committee should provide to Member States more detailed guidelines concerning the definition of luxury goods in order to foster a more uniform application of these measures. Such guidelines could be based on the principles and factors outlined in paragraph 75 above.

Financial measures

Recommendation 15

An effective anti-money-laundering/combating the financing of terrorism control regime is essential for the prevention of abuse of the international financial system for the purposes of financing or otherwise supporting the Democratic People's Republic of Korea's illicit transactions. All Member States should be encouraged to adopt and implement the non-proliferation and anti-money-laundering/combating the financing of terrorism guidelines published by FATF. Special attention and study should be given to the proliferation financing examples provided in the FATF *Typologies Report on Proliferation Financing*.

Recommendation 16

Special vigilance should be applied to proposed new investments in the Democratic People's Republic of Korea to assure that any "new commitments for grants, financial assistance, or concessional loans to the Democratic People's Republic of Korea", are intended to "directly addressing the needs of the civilian population". They should also assure that all investments emanating from their territory or nationals not contribute to the Democratic People's Republic of Korea's nuclear-related, other weapons of mass destruction-related or ballistic missile-related programmes.

Recommendation 17

The Committee, with the assistance of the Panel of Experts, should continue its study of those factors that have unduly hampered access of diplomatic missions in the Democratic People's Republic of Korea to normal financial and other related services from abroad. All Member States should be asked to adopt appropriate measures that encourage financial institutions and other companies to provide appropriate services to diplomatic missions in the Democratic People's Republic of Korea.

Designation of goods, entities and individuals

Recommendation 18

The Committee has designated only eight entities and five individuals. These few designations are inadequate to the task of effectively inhibiting key parties of the Democratic People's Republic of Korea from engaging in proscribed activities.

All Member States should be invited to provide to the Committee for its consideration the names of entities and individuals who are believed to be engaged in proscribed activities, particularly those substituting for or acting for or on behalf of these entities and individuals or otherwise implicated in a compliance violations.

Recommendation 19

In order to counter the use of alias adopted by designated entities, Member States should be invited to provide as much information as possible to assist in the identification of the designated entities and individuals.

Recommendation 20

Consideration should be given to establishing a more user-friendly consolidated list for each category of proscribed items and incorporating additions and changes as they are made.

Recommendation 21

Pursuant to the objectives outlined in paragraph 8 (a), (b) and (c) of resolution 1718 (2006), further consideration should be given by the Committee to adopting on a regular basis updated lists of nuclear-related, other weapons of mass destruction-related and ballistic missiles-related items.

Recommendation 22

The Committee, with the assistance of the Panel of Experts, should move forward expeditiously to complete the task of developing and disseminating guidance to Member States as to what constitutes small arms and light weapons.

Outreach

Recommendation 23

The outreach activities of the Committee and the Panel of Experts should be expanded to assure a better awareness of the Security Council measures, reporting requirements, and best practices with regard to implementation and enforcement.

Annex A

Supplemental information

A.1
Items designated by Member States as luxury goods

30 April 2010

	Member States									
Items	*Australia*	*Canada*	*European Union*	*Japan*	*New Zealand*	*Republic of Korea*	*Russian Federation*	*Singapore*	*Switzerland*	*United States*
Live animals			Pure-bred horses							
Food items	Caviar, Crustaceans (all), e.g. rock lobsters, abalone, molluscs and aquatic invertebrates, e.g. oyster in any form	Gourmet foods and ingredients, lobster	Caviar and caviar substitutes; truffles and preparations thereof	Beef, fillets of tunas, caviar and caviar substitutes	Caviar and its substitutes, chocolate, crustaceans, molluscs, aquatic invertebrates and goods containing these species, honey and its derivatives, tuna, toothfish, salmon and goods containing these species				Caviar and caviar substitutes prepared from fish eggs	
Alcoholic beverages	Wine, spirits (all kinds)	Alcoholic beverages	High-quality wines (including sparkling wines), spirits and spirituous beverages	Alcoholic beverages	Alcoholic beverages	Alcoholic beverages (wines, ethyl alcohol, spirituous liquors and other alcoholic beverages)	Cognac, wines and other liquors for more than 5,000 rubles	Wines and spirits	Wines and spirits	Alcoholic beverages (wine, beer, ales and liquor)

Items	Member States									
	Australia	*Canada*	*European Union*	*Japan*	*New Zealand*	*Republic of Korea*	*Russian Federation*	*Singapore*	*Switzerland*	*United States*
Tobacco and tobacco products	Tobacco products	Cigarettes	High-quality cigars and cigarillos	Tobacco	Tobacco			Cigars	Cigars	Tobacco and tobacco products
Cosmetics, fashion accessories	Cosmetics (all), perfumes and toilet waters	Perfume	Cosmetics including beauty and make-up products, luxury perfumes, toilet waters	Make-up, perfumes	Cosmetics, perfumes	Cosmetics (perfumes, cosmetics, including foundations and manicure-related, and pedicure-related products)	Perfumes for more than 5,000 rubles	Perfumes and cosmetics	High-quality perfumes, high-quality personal care and beauty products	Cosmetics, including beauty and make-up, perfumes and toilet waters
Apparel, leather and fur items	Apparel and clothing accessories, furs, leather travel goods	Designer clothing and accessories, furs	High-quality garments, clothing accessories and shoes (regardless of their material); High-quality leather, saddlery and travel goods, handbags and similar articles	Leather bags, clothes and others, fur skins and artificial fur manufactures	Designer clothing, deer velvet, fur products and artificial fur products, leather bags and clothes	Leather goods (trunks, suit-cases, cosmetic cases, executive cases, briefcases, satchels, and other similar bags, handbags, pockets or other products that may be carried in handbags, clothing and accessories), fur items (fur clothing, accessories, and other fur products)	Fur production for more than 250,000 rubles	Fur products; leather bags and clothes	High-quality apparel and clothing accessories, high-quality shoes, high-quality leather	Apparel and fashion items (leather articles, silk articles, fur skins and artificial furs, fashion accessories: leather travel goods, vanity cases, binocular and camera cases, handbags, wallets, silk scarves, designer clothing: leather apparel and clothing accessories)

Items	Member States									
	Australia	*Canada*	*European Union*	*Japan*	*New Zealand*	*Republic of Korea*	*Russian Federation*	*Singapore*	*Switzerland*	*United States*
Ceramic and glass/ tableware	Drinking glasses (lead crystal)		Cutlery or precious metal or plated or clad with precious metal; high-quality tableware of porcelain, china, stone or earthenware or fine pottery; high-quality lead crystal glassware	Drinking glasses of lead crystal	Bone china, crystal glassware				Cutlery, gold, silver or platinum plated	Tableware of porcelain or bone china, items of lead crystal
Jewellery, precious/ semi-precious articles	Silver, gold, jewellery, precious and semi-precious stones (including diamonds and pearls), precious metals	Jewellery, gems, precious metals	Pearls, precious and semi-precious stones, articles of pearls, jewellery, gold or silversmith articles	Jewellery, precious metals, precious metalwork	Jewellery, precious metals, precious and semi-precious stones, and articles made from them	Pearls and jewellery (natural or hatchery pearls, diamonds, jewellery, silver, gold, gilded products, white gold, white gold-plated products, ornaments and their accessories, products that contain jewellery)	Jewellery made of gold, platinum, diamonds and other precious stones for more than 50,000 rubles	Precious jewellery	Pearls, precious and semi-precious stones, jewellery and silverware	Jewellery (jewellery with pearls, gems, precious and semi-precious stones [including diamonds, sapphires, rubies and emeralds], jewellery of precious metal or of metal clad with precious metal) gems and precious metals (gold, silver, platinum, diamonds,

Items	Member States									
	Australia	*Canada*	*European Union*	*Japan*	*New Zealand*	*Republic of Korea*	*Russian Federation*	*Singapore*	*Switzerland*	*United States*
										precious and semi-precious stones [including sapphires, rubies and emeralds])
Electronic items	Consumer electronics (televisions, videos, DVD players, PDAs, laptops, MP3 players — and any other relevant exports), electronic entertainment/ software	Computers, televisions and other electronic devices	High-end electronic items for domestic use; high-end electrical/ electronic or optical apparatus for recording and reproducing sound and images	Portable information devices, audio-visual instruments and software	Computers, audio-visual equipment (for example CD players and DVD players), data or software (for example films, music, or both, recorded or stored on CDs or DVDs), and things on which data or software is or may be recorded or stored, mobile telephones, portable information and media devices (for example, personal digital assistants (PDAs) and MP3 players	Electronic goods (transmitter products for radio or televisions, television cameras, digital cameras, and videocassette recorders, monitors, projectors, and related products excluding television transmitter products)		Plasma televisions; personal digital musical players	High-quality consumer electronic devices	Electronic items (flat-screen, plasma or LCD panel televisions or other video monitors or receivers [including high-definition televisions], and any television larger than 29 inches, DVD players, PDAs, personal digital music players, *computer laptops)

Items	Member States									
	Australia	*Canada*	*European Union*	*Japan*	*New Zealand*	*Republic of Korea*	*Russian Federation*	*Singapore*	*Switzerland*	*United States*
					or other digital audio players)					
Photographic/ cinematic items	Photographic equipment		See electronic items	Camera and cinemato-graphic instruments	Cameras and movie equipment	Optical instruments (cameras, movie cameras and projectors for movies)			High-quality electronic and optical image recording and reproducing equipment	
Clocks and watches	Watches and clocks	Watches	Luxury clocks and watches and their parts	Wristwatches and other watches	Wristwatches	Timepieces (wristwatches, pocket watches, and other wearable timepieces)	Wristwatch for more than 50,000 rubles	Watches of metal clad with a precious metal	High-quality watches and clocks	Luxury watches (wrist, pocket, and other with a case of precious metal or of metal clad with precious metal)
Musical instruments			High-quality musical instruments	Musical instruments	Musical instruments	Musical instruments (pianos, harpsichords, and other stringed keyboard instruments, string instruments, wind instruments, electronic musical instruments)		Musical instruments	High-quality musical instruments	Musical instruments

Items	Members									
	Australia	Canada	European Union	Japan	New Zealand	Republic of Korea	Russian Federation	Singapore	Switzerland	United States
Vehicles, aircraft, vessels and other transport equipment	Automobiles and other vehicles to transport people, yachts and pleasure craft	Private aircraft	Luxury vehicles for transport of persons on earth, air or sea, as well as their accessories and spare parts	Motor cars, motorcycles, motorboats yachts and others	Cars, motorcycles, snowmobiles, motorboats, yachts, aircraft, and their parts and accessories	Automobiles (passenger cars and other vehicles, motorcycles and bicycles or sidecars with assistant motors), vessels (yachts, other vessels for excursion or exercise, boats with paddles, and canoes)	Motorcars for more than 3,000,000 rubles	Luxury cars, luxury motorboats and yachts	Luxury vehicles for air, road and water transport as well as parts and accessories to	Transportation items (yachts and other aquatic recreational vehicles [such as jet skis]. *luxury automobiles [and motor vehicles]: automobiles and other motor vehicles to transport people [other than public transport] including station wagons, racing cars, snowmobiles, and motorcycles, personal transportation devices [segways])
Sports items	Sports equipment	Sporting goods	Articles and equipment for skiing, golf, diving and water sports		Sporting goods and equipment					Recreational and sports equipment

	Member States									
Items	*Australia*	*Canada*	*European Union*	*Japan*	*New Zealand*	*Republic of Korea*	*Russian Federation*	*Singapore*	*Switzerland*	*United States*
Works of art, collector pieces and antiques	Works of art (all)		Coins and banknotes, not being legal tender; works of art, collectors' pieces and antiques	Works of art, collectors' pieces and antiques	Works of art, collectors' pieces and antiques	Artwork and curios (collections and specimens, curios)		Works of art, collectors' pieces and antiques	Coin (other than the legal tender), works of art, collectors' pieces and antiques	Works of art (including painting, original sculptures and statuary), antiques (more than 100 years old), and collectible items, including rare coins and stamps
Others	Fountain pens, carpets		Hand-knotted carpets, handwoven rugs and tapestries; articles and equipment for billiard, automatic bowling, casino games and games operated by coins or banknotes	Carpets, fountain pens	Carpets and tapestries, designer furniture, fountain pens	Carpeting goods (carpeting products and other textile carpets)		Carpets	Handmade carpets, handwoven tapestries	Designer fountain pens, rugs and tapestries

* United States luxury items list (provisional): categories of items with an asterisk will be exempted from the general denial if they are being imported by legitimate organizations involved in humanitarian relief efforts, other internationally sanctioned efforts, or as items in the interest of the United States Government.

A.2
List of autonomous designations[a]

I. Entities

	Names	*Designated by*	*Reasons*	*Alias(es)*	*Address(es)*
1	**Amroggang Development Banking Corporation**	United States of America	Related to Tanchon Commercial Bank (entity designated by the Committee, 24.04.2009), the financial arm of KOMID (another entity designated by the Committee, 24.04.2009)	Amnokkang Development Bank	Tongan-dong, Pyongyang, Democratic People's Republic of Korea
2	**Global Interface Company Inc.**	United States of America	Owned or controlled by Alex H.T. Tsai, who provided, or attempted to provide, financial, technological or other support for, or goods or services in support of KOMID (entity designated by the Committee, 24.04.2009)	a.k.a. Trans Scientific Corp.	– 9F-1, No. 22, Hsin Yi Rd., Sec. 2, Taipei, Taiwan – 1st Floor, No. 49, Lane 280, Kuang Fu S. Road, Taipei, Taiwan Business Registration Document Number: 12873346 (Taiwan)
3	**Hesong Trading Corporation**	Australia Japan United States of America	Subsidiary of KOMID (entity designated by the Committee, 24.04.2009)		Pyongyang, North Korea
4	**Korea Complex Equipment Import Corporation**	Australia Japan United States of America	Subsidiary of Korea Ryongbong General Corporation (entity designated by the Committee, 24.04.2009)		Rakwon-dong, Pothonggang District, Pyongyang, North Korea

[a] As at 30 April 2010, for information only. These lists are not exhaustive lists of Member States that have made autonomous designations. The elements below are a compilation of those provided by Member States in support of their autonomous designations. Not all designating Member States provide reasons therefor.

Names	*Designated by*	*Reasons*	*Alias(es)*	*Address(es)*
Names	*Designated by*	*Reasons*	*Alias(es)*	*Address(es)*
5 **Kohas AG**	Australia Japan United States of America	Ties to Korea Ryonbong General Corporation (entity designated by the United Nations, 24.04.2009)		Route des Arsenaux 15, Fribourg, FR 1700, Switzerland; C.R. No. CH-217.0.135.79-4 (Switzerland)
6 **Korea International Chemical Joint Venture Company**	Australia Japan United States of America	Subsidiary of Korea Ryongbong General Corporation (entity designated by the United Nations, 24.04.2009)	– Chosun International Chemicals Joint Operation Company – International Chemical Joint Venture Corporation – Choson International Chemicals Joint Operation Company	– Hamhung, South Hamgyong Province, North Korea – Mangyongdae-kuyok, Pyongyang, North Korea – Mangyungdae-gu, Pyongyang, North Korea
7 **Korea Kwangson Banking Corp (KKBC)**	United States of America	Provide financial services in support of both Tanchon Commercial Bank (entity designated by the Committee, 24.04.2009) and Korea Hyoksin Trading Corporation (entity designated by the Committee, 16.07.2009)		Jungson-dong, Sungri Street, Central District, Pyongyang, North Korea
8 **Korea Kwangsong Trading Corporation**	Australia Japan United States of America	Subsidiary of Korea Ryongbong General Corporation (entity designated by the United Nations, 24.04.2009)		Rakwon-dong, Pothonggang District, Pyongyang, North Korea
9 **Korea Pugang Trading Corporation**	Australia Japan United States of America	Subsidiary of Korea Ryongbong General Corporation (entity designated by the United Nations, 24.04.2009)		Rakwon-dong, Pothonggang District, Pyongyang, North Korea

Names	*Designated by*	*Reasons*	*Alias(es)*	*Address(es)*
Names	*Designated by*	*Reasons*	*Alias(es)*	*Address(es)*
10 **Korea Pugang Mining and Machinery Corporation ltd**	European Union	Subsidiary of Korea Ryongbong General Corporation (entity designated by the United Nations, 24.04.2009)		
11 **Korea Ryongwang/ Ryengwang Trading Corporation**	Australia Japan United States of America European Union	Subsidiary of Korea Ryongbong General Corporation (entity designated by the United Nations, 24.04.2009)	Korea Ryengwang Trading Corporation	Rakwon-dong, Pothonggang District, Pyongyang, North Korea
12 **Korea Ryonha Machinery Joint Venture Corporation**	Australia Japan United States of America	Subsidiary of Korea Ryongbong General Corporation (entity designated by the United Nations, 24.04.2009)	– Korea Ryenha Machinery J/V Corporation; – Chosun Yunha Machinery Joint Operation Company; – Ryonha Machinery Joint Venture Corporation	– Central District, Pyongyang, North Korea; – Mangyungdae-gu, Pyongyang, North Korea; – Mangyongdae District, Pyongyang, North Korea
13 **Korea Tonghae Shipping Company**	Japan			
14 **Ponghwa Hospital**	Japan			
15 **Pyongyang Informatics Centre**	Japan			
16 **Sobaeku United Corp.**	European Union	State-owned company, involved in research into, and the acquisition of, sensitive products and equipment. It possesses several deposits of natural graphite, which provide raw material for two processing facilities which, inter alia, produce graphite blocks	Sobaeksu United Corp.	

Names	*Designated by*	*Reasons*	*Alias(es)*	*Address(es)*
		that can be used in missiles		

Names	*Designated by*	*Reasons*	*Alias(es)*	*Address(es)*
17 **Tosong Technology Trading Corporation**	Australia Japan United States of America	Subsidiary of KOMID (entity designated by the United Nations, 24.04.2009)		Pyongyang, North Korea
18 **Trans Merits Co. Ltd.**	United States of America	Subsidiary of Global Interface Company Inc. and managed by Alex H.T. Tsai, who provided, or attempted to provide, financial, technological or other support for, or goods or services in support of KOMID (entity designated by the Committee, 24.04.2009)		1F, No. 49, Lane 280, Kuang Fu S. Road, Taipei, Taiwan Business Registration Document Number: 16316976 (Taiwan)
19 **Yongbyon Nuclear Research Centre**	European Union	Research centre that has taken part in the production of military-grade plutonium; centre maintained by the General Bureau of Atomic Energy (entity designated by the Committee, 16.07.2009)		

II. Individuals

	Names	*Designated by*	*Rationale*	*Alias(es)*	*Identifying information*
1	**CHANG Song-taek**	European Union	Member of the National Defence Commission. Director of the Administrative Department of the Korean Workers' Party	JANG Song-Taek	Date of birth: 2.2.1946 or 06.02.1946 or 23.02.1946 (North Hamgyong province) Passport number (as of 2006): PS 736420617
2	**CHON Chi Bu**	European Union	Member of the General Bureau of Atomic Energy (entity designated by the Committee, 16.07.2009), former technical director of Yongbyon		
3	**CHU Kyu-Chang**	European Union	First Deputy Director of the Defence Industry Department (ballistics programme), Korean Workers' Party, Member of the National Defence Commission	JU Kyu-Chang	Date of birth: between 1928 and 1933
4	**HYON Chol-hae**	European Union	Deputy Director of the General Political Department of the People's Armed Forces (military adviser to Kim Jong Il)		Year of birth: 1934 (Manchuria, China)
5	**JON Pyong-ho**	European Union	Secretary of the Central Committee of the Korean Workers' Party, Head of the Central Committee's Military Supplies Industry Department controlling the Second Economic Committee of the Central Committee, member of the National Defence Commission		Year of birth: 1926
6	**KIM Tong-myo'ng**	United States of America	c/o Tanchon Commercial Bank, Saemul 1-Dong Pyongchon, District, Pyongyang, Democratic People's Republic of Korea	Kim Tong Myong Kim Chin-so'k Kim Jin Sok	Year of birth: 1964
7	**KIM Tong-un**	European Union	Director of "Office 39" of the Central Committee of the Workers' Party, which is involved in proliferation financing		Year of birth: 1936 Passport number: 554410660

	Designated by	Rationale	Aliases	Identifying information
6. [redacted] Yong-chun	European Union	Deputy Chairman of the National Defence Commission; Minister for the People's Armed Forces, special adviser to Kim Jong Il on nuclear strategy	Young-chun	Date of birth: 04.03.1935
7. [redacted] Kyu	European Union	Deputy Chairman of the National Defence Commission; supervising the acquisition abroad of advanced technology for nuclear and ballistics programmes		Year of birth: 1931 (Jilin Province, China)
8. [redacted]	United States of America	Alex H.T. Tsai Swiss, who provided, or attempted to provide, financial, technological or other support for, or goods or services in support of, KOMID (entity designated by the Committee, 22.04.2009). Lu-Chi Su is an officer in Global Interface Company Inc. and Trans Merits Co. Ltd. and is directly involved in the companies' operations	Lu-Chi Tsai Su	Date of birth: 08.08.1945 POB: Taiwan, Taiwan Passport Number: 133153049 (Taiwan)
9. [redacted] Se-hoong	European Union	Chairman of the Second Economic Committee, responsible for the ballistics programmes of the Central Committee of the Korean Workers' Party, Member of the National Defence Commission		Year of birth: 1940
10. [redacted] Jae-gyong	European Union	Deputy Director of the General Political Department of the People's Armed Forces and Deputy Director of the Logistics Bureau of the People's Armed Forces, military adviser to Kim Jong Il	Chae-Kyong	Year of birth: 1933 Passport number: 554210661
11. [redacted] Yong Hip	European Union	President of the Academy of Sciences involved in weapons of mass destruction-related biological research	Yong-Nip	Date of birth: 20.09.1929 Passport number: 645310121 (issued on 13.09.2005)
12. [redacted] Yong	European Union	Director of the General Bureau of Atomic Energy (entity designated by the Committee, 16.07.2009), in charge of international relations		

Name	Designated by	Rationale	Alias(es)	Identifying information
[5] [redacted]	European Union	Head of the Department of Nuclear Physics, Kim Il Sung University		
[6] [redacted]	Australia Japan United States of America	President of NOBRA AG	STEIGER Jakob	Date of birth: 27 April 1941 (Altstatten, SG, Switzerland)
[7] [redacted]	United States of America	Provided, or attempted to provide, financial, technological or other support for, or goods or services in support of, KOMID (entity designated by the Committee, 24.04.2009)	Hsein Tai Tsai	Date of birth: 08.08.1945 (Taiman, Taiwan) Passport Number: 130134049 (Taiwan)

A.3
North Korea: correspondent banking relationships

Bankers Almanac as at 12 April 2010

1. **Amroggang Development Bank**[b]

CP = Commercial Payments **FX** *= Foreign Exchange* **MM** *= Money Markets*

Currency	*Bank*	*Swift BIC*	*Account No*	*CP*	*FX*	*MM*	*Other*
EUR	**Commerzbank AG, Frankfurt am Main**	COBA DE FF	400887117000, ffc Donau-Bank AG, Vienna; SWIFT: DOBA AT WW Acct. No.: 11.00.0615178.900	CP	FX	MM	—
RUB	**Far Eastern Commercial Bank "Dalcombank", Khabarovsk**	FAEC RU 8K	—				—

2. **Korea Kwangson Banking Corporation**[c]

CP = Commercial Payments **FX** *= Foreign Exchange* **MM** *= Money Markets*

Currency	*Bank*	*Swift BIC*	*Account No*	*CP*	*FX*	*MM*	*Other*
EUR	Bank of China Limited, Beijing	BKCH CN BJ	820706480021038				
EUR	China Construction Bank Corporation, Dandong	PCBC CN BJ LNJD	21033110033220110002??	—	—	—	—
EUR	Far Eastern Commercial Bank "Dalcombank", Khabarovsk	FAEC RU 8K	30111107880000000000	—	—	—	—
HKD	China Construction Bank Corporation, Dandong	PCBC CN BJ LNJD	21013110030022010009??	—	—	—	—
JPY	China Construction Bank Corporation, Dandong	PCBC CN BJ LNJD	21022711003022010009??	—	—	—	—
JPY	Far Eastern Commercial Bank "Dalcombank", Khabarovsk	FAEC RU 8K	30111107250000000000	—	—	—	—

[b] Designated by the United States under Executive Order 13 551 EO 13551 on 13 October 2009, for being owned or controlled by Tanchon Commercial Bank.

[c] Designated by the United States under E.O. 13551 on 13 August 2009, for providing financial services in support of both Tanchon Commercial Bank and Korea Hyoksin Trading Corporation, a subsidiary of the Korea Kumgang Group Corporation.

Currency	Bank	Swift BIC	Account No.	CP	FX	MM	Other
USD	**Bank of China Limited, Beijing**	BKCH CN BJ	820796480021014	—	—	—	—
USD	**China Construction Bank Corporation, Dandong**	PCBC CN BJ LND	21014106500220100919	—	—	—	—
USD	**Far Eastern Commercial Bank "Dalcombank", Khabarovsk**	FAEC RU HK	30111840200000000006	—	—	—	—

3. Korea United Development Bank

CP = Commercial Payments **FX** = Foreign Exchange **MM** = Money Markets

Currency	Bank	Swift BIC	Account No.	CP	FX	MM	Other
BYR	**Belarusian Bank for Development and Reconstruction "Belinvestbank" JSC, Minsk**	BLBB BY 2X	—	—	—	—	—
[illegible]	[illegible]	[illegible]	—	—	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	—	—	—	—	—
[illegible]	[illegible]	[illegible]	—	—	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Currency	*Bank*	*Swift/BIC*	*Account No.*	*CP*	*FX*	*MM*	*Other*
HKD	**Bank of China Limited, Macau**	BKCH MO MX	01-11-520-0437-4	CP	FX	MM	Letters of Credit
HUF	**Budapest Credit & Development Bank Nyrt, Budapest**	BUDA HU HB	—	—	—	—	—
JPY	**Bank of China Limited, Macau**	BKCH MO MX	01-28-520-0444-4	CP	FX	MM	Letters of Credit
KZT	**Alliance Bank Joint Stock Company, Almaty**	IRTY KZ KA	—	—	—	—	—
KZT	**Development Bank of Kazakhstan, Astana**	DVKA KZ KA	—	—	—	—	—
MOP	**Bank of China Limited, Macau**	BKCH MO MX	—	CP	FX	MM	Letters of Credit
MYR	**Malayan Banking Berhad, Kuala Lumpur**	MBBE MY KL	—	—	—	—	Letters of Credit
PLN	**Kredyt Bank SA, Warsaw**	KRDB PL PW	—	—	—	—	—
RUB	**VTB Bank (open joint-stock company), Moscow**	VTBR RU MM	—	—	—	—	—
SGD	**Bank of China Limited, Macau**	BKCH MO MX	01-32-520-0443-4	CP	FX	MM	Letters of Credit
USD	**Bank of China Limited, Macau**	BKCH MO MX	01-20-520-0438-1	CP	FX	MM	Letters of Credit

4. Koryo Commercial Bank

CP = Commercial Payments **FX** = Foreign Exchange **MM** = Money Markets

Currency	*Bank*	*Swift/BIC*	*Account No.*	*CP*	*FX*	*MM*	*Other*
EUR	**Banca Nazionale del Lavoro SpA, Rome**	BNLI IT RR	—	—	—	—	—
EUR	**Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main**	HELA DE FF	—	—	—	—	—
HKD	**The Hongkong and Shanghai Banking Corporation Limited, Hong Kong**	HSBC HK HH	—	—	—	—	—

5. **North East Asia Bank**

CP = Commercial Payments **FX** = Foreign Exchange **MM** = Money Markets

Currency	*Bank*	*Swift BIC*	*Account No.*	*CP*	*FX*	*MM*	*Other*
EUR	**Bank of China Limited, Beijing**	BKCH CN BJ	82104128021038	CP	—	—	—
EUR	**Closed Joint Stock Company Commercial Bank "Credit — Dnipro", Dnepropetrovsk**	CRDE UA 2N	1600420020001	CP	—	—	—
JPY	**Closed Joint Stock Company Commercial Bank "Credit — Dnipro", Dnepropetrovsk**	CRDE UA 2N	1600420020001	CP	—	—	—
USD	**Closed Joint Stock Company Commercial Bank "Credit — Dnipro", Dnepropetrovsk**	CRDE UA 2N	1600420020001	CP			

A.4

DPRK Main Transportation Routes
CHINA
Ji'an
Manp'o
Ch'ŏngjin
Hoeryŏng
Kimchaek
Hŭngnam
Sunan
Wŏnsan
P'yŏngyang
Nampo
Songnim
Haeju
Seoul
REPUBLIC OF KOREA
DEM. PEOPLE'S REP. OF KOREA
National capital
City, town
Major airport
Main harbor
International boundary
Armistice line
Railroad
International rail crossing